# FROM THE TOP, INC.

## INDEPENDENT AUDITOR'S REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

## FOR THE YEAR ENDED JUNE 30, 2010

FROM THE TOP, INC.

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FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
From the Top, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial position of From the Top, Inc. as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated November 19, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of From the Top, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses – programs on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ERCOLINI & COMPANY LLP

Ercolini & Company LLP

December 9, 2010

FROM THE TOP, INC.
(a Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010
(with comparative totals for 2009)

**ASSETS**

| | 2010 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total | 2009 |
| **Current assets:** | | | | |
| Cash (Note 2) | $ 404,308 | 614,572 | $ 1,018,880 | $ 640,182 |
| Accounts receivable, net (Notes 1, 3) | 157,725 | 370,000 | 527,725 | 723,107 |
| Investments (Notes 1, 13) | 17,678 | - | 17,678 | 17,816 |
| Prepaid expenses | 17,036 | - | 17,036 | 16,886 |
| Total current assets | 596,747 | 984,572 | 1,581,319 | 1,397,991 |
| **Property and equipment, at cost:** | | | | |
| Property and equipment, net (Note 4) | 69,391 | - | 69,391 | 112,964 |
| **Other assets:** | | | | |
| Investments (Notes 1, 13) | 503,957 | - | 503,957 | 503,200 |
| | 503,957 | - | 503,957 | 503,200 |
| Total assets | $ 1,170,095 | $ 984,572 | $ 2,154,667 | $ 2,014,155 |

**LIABILITIES**

| | Unrestricted | Temporarily Restricted | Total | 2009 |
|---|---|---|---|---|
| **Current liabilities:** | | | | |
| Accounts payable | $ 11,121 | $ - | $ 11,121 | $ 29,624 |
| Accrued wages payable | 22,974 | - | 22,974 | 13,917 |
| Accrued expenses | 63,281 | - | 63,281 | 50,433 |
| Advances payable (Note 5) | 21,450 | - | 21,450 | 61,450 |
| Deferred revenue (Note 10) | 191,500 | - | 191,500 | 215,500 |
| Total current liabilities | 310,326 | - | 310,326 | 370,924 |
| Total liabilities | 310,326 | - | 310,326 | 370,924 |

**NET ASSETS**

| | Unrestricted | Temporarily Restricted | Total | 2009 |
|---|---|---|---|---|
| Unrestricted net assets (Note 16) | 859,769 | - | 859,769 | 709,736 |
| Temporarily restricted net assets (Note 6) | - | 984,572 | 984,572 | 933,495 |
| Total net assets | 859,769 | 984,572 | 1,844,341 | 1,643,231 |
| Total liabilities and net assets | $ 1,170,095 | $ 984,572 | $ 2,154,667 | $ 2,014,155 |

See notes to financial statements.

FROM THE TOP, INC.
(a Nonprofit Corporation)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010
(with comparative totals for 2009)

| | 2010 | | | |
|---|---|---|---|---|
| | | Restricted | | |
| | Unrestricted | Temporarily | Total | 2009 |
| **Public Support:** | | | | |
| Contributions (Notes 1, 9) | $ 1,010,910 | $ 925,548 | $ 1,936,458 | $ 1,721,622 |
| Government support (Notes 1, 8) | 316,001 | 120,000 | 436,001 | 400,871 |
| Event revenue | 383,400 | 25,000 | 408,400 | 337,700 |
| In-kind contributions (Notes 1, 7) | 211,396 | 1,857 | 213,253 | 536,585 |
| Total public support | 1,921,707 | 1,072,405 | 2,994,112 | 2,996,778 |
| **Program Service Fees:** | | | | |
| Carriage fees (Note 10) | 354,496 | - | 354,496 | 425,000 |
| Road show fees | 336,259 | - | 336,259 | 268,293 |
| Educational fees (Note 10) | 29,698 | - | 29,698 | 18,564 |
| Total program service fees | 720,453 | - | 720,453 | 711,857 |
| **Other Revenue:** | | | | |
| Merchandise sales | 7,761 | - | 7,761 | 8,559 |
| Other income | 18,171 | - | 18,171 | 25,342 |
| Total other revenue | 25,932 | - | 25,932 | 33,901 |
| **Net assets released from restrictions (Notes 1, 6)** | | | | |
| Expiration of time restrictions | 39,004 | (39,004) | - | - |
| Satisfaction of program restrictions | 982,324 | (982,324) | - | - |
| Total support and revenue | 3,689,420 | 51,077 | 3,740,497 | 3,742,536 |
| **Expenses:** | | | | |
| Program services | 2,522,751 | - | 2,522,751 | 2,849,916 |
| General and administrative | 391,932 | - | 391,932 | 462,747 |
| Fundraising | 624,704 | - | 624,704 | 720,696 |
| Total expenses | 3,539,387 | - | 3,539,387 | 4,033,359 |
| Change in net assets | 150,033 | 51,077 | 201,110 | (290,823) |
| **Net assets, beginning** | 709,736 | 933,495 | 1,643,231 | 1,934,054 |
| **Net assets, ending** | $ 859,769 | $ 984,572 | $ 1,844,341 | $ 1,643,231 |

See notes to financial statements.

FROM THE TOP, INC.
(a Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010
(with comparative totals for 2009)

| | 2010 | | | | |
|---|---|---|---|---|---|
| | | Supporting Services | | | |
| | Program Services | General and Administrative | Fundraising | Total | 2009 |
| Direct production costs | $ 365,124 | $ - | $ - | $ 365,124 | $ 361,969 |
| Event expenses | 9,100 | - | 62,621 | 71,721 | 73,758 |
| Payroll and payroll taxes | 996,326 | 234,987 | 333,734 | 1,565,047 | 1,727,319 |
| Fringe benefits | 92,790 | 18,018 | 34,184 | 144,992 | 141,413 |
| Advertising | 19,636 | - | - | 19,636 | 296,645 |
| Scholarships | 285,390 | - | - | 285,390 | 325,688 |
| Insurance | 7,697 | 3,411 | 742 | 11,850 | 10,965 |
| Maintenance and repair | 4,611 | 2,149 | 1,503 | 8,263 | 8,204 |
| Marketing | 80,842 | 8,920 | 14,010 | 103,772 | 91,519 |
| Office expenses | 85,498 | 29,245 | 47,484 | 162,227 | 136,160 |
| Professional fees | 224,442 | 61,504 | 83,167 | 369,113 | 422,563 |
| Rent (Note 11) | 63,501 | 17,096 | 20,706 | 101,303 | 102,330 |
| Telephone / internet | 19,807 | 4,145 | 5,877 | 29,829 | 37,050 |
| Travel, lodging and meals | 230,758 | 6,093 | 12,971 | 249,822 | 241,502 |
| Depreciation | 37,229 | 6,364 | 7,705 | 51,298 | 56,274 |
| Total expenses | $ 2,522,751 | $ 391,932 | $ 624,704 | $ 3,539,387 | $ 4,033,359 |

FROM THE TOP, INC.
(a Nonprofit Corporation)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010
(with comparative totals for 2009)

| | 2010 | 2009 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Increase (decrease) in net assets | $ 201,110 | $ (290,823) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 51,298 | 56,274 |
| Net realized and unrealized (gains) losses on investments | - | (9,615) |
| Investment income reinvested | (619) | (5,771) |
| Amortization of discounts | (3,903) | (11,062) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Accounts receivable | 199,285 | 368,077 |
| Prepaid expenses | (150) | 22,718 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (18,503) | (325,053) |
| Accrued expenses | 21,905 | (17,403) |
| Deferred revenue | (24,000) | (94,500) |
| Net cash provided by (used in) operating activities | 426,423 | (307,158) |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | (7,725) | (1,548) |
| Withdrawals from investments | - | 25,155 |
| Proceeds from sale of investments | 500,000 | 975,140 |
| Purchases of investments | (500,000) | (350,129) |
| Net cash provided by (used in) investing activities | (7,725) | 648,618 |
| **Cash flows from financing activities:** | | |
| Repayment of advances payable | (40,000) | - |
| Net cash provided by (used in) financing activities | (40,000) | - |
| Net increase (decrease) in cash | 378,698 | 341,460 |
| Cash, beginning of year | 640,182 | 298,722 |
| Cash, end of year | $ 1,018,880 | $ 640,182 |

See notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

From the Top, Inc. (the Organization or FTT) is a Massachusetts non-profit corporation organized under M.G.L. Chapter 180 in November 2001. The Organization is exempt from taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Organization presents, celebrates and inspires the pursuit of excellence in music and the arts by showcasing the spirited performances and personal stories of the nation's outstanding young classical musicians. By utilizing multiple platforms, the Organization provides opportunities for 8 to 18 year olds to present themselves, share their passion and develop into important cultural leaders. From the Top's landmark radio program, with host Christopher O'Riley, is distributed by National Public Radio (NPR) to more than 250 stations nationwide and reaches nearly 700,000 listeners a week. The Organization's scholarship program - the Jack Kent Cooke Young Artist Award - annually provides 20-25 deserving young musicians with a $10,000 scholarship to further their education. The education and community outreach programs bring From the Top performers into classrooms, youth organizations, and arts programs across the country.

Financial Statement Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted assets, in accordance with guidance issued by the Financial Accounting Standards Board (FASB). Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> *Unrestricted net assets* - Net assets that are not subject to donor-imposed restrictions.
>
> *Temporarily restricted net assets* - Net assets subject to explicit or implicit donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.
>
> *Permanently restricted net assets* - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

There were no permanently restricted net assets at June 30, 2010.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, consistent with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable

Receivables are stated at the amount Organization's management expects to collect from outstanding balances. The Organization's management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical collection experience and its assessment of current economic conditions. Balances that are still outstanding after the Organization's management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable are deemed to be fully collectible by the Organization's management at June 30, 2010.

Property and Equipment

All acquisitions of furniture, equipment, computer software and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. The Organization capitalizes these costs if the amounts incurred exceed a range of $1,000 to $3,000 based on the nature of the expenditure. Furniture, equipment and computer software are carried at cost or, if donated, at the approximate fair value at the date of donation. These assets are depreciated on a straight-line basis over their estimated useful lives which range from three to five years. The cost of leasehold improvements is amortized on a straight-line basis over the lesser of the length of the related leases or the estimated useful lives of the assets.

Investments

The Organization's investments consist of money market funds which are carried at their fair values. Investment income is recognized when earned. Investment income restricted by a donor is reported as an increase in unrestricted net assets if the restriction is met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income is recognized.

Revenue Recognition

All revenue from program services, educational fees, royalties, event revenue and sales are recognized when the programs and events have taken place and the services are performed. Payments received in advance of programs and events taking place and services performed are deferred until earned.

Contributions and Donor Restrictions

Contributions, including grants, are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, the net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions and Donor Restrictions - continued

rate determined by management of the Organization. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received. Contributed services that require specialized skills are recognized as revenue at estimated fair value when the service is received. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and Marketing

Advertising and marketing costs are expensed when incurred.

Income Taxes

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income for the year ended June 30, 2010. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe it's evaluation of tax positions will significantly change within twelve months of June 30, 2010. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2007, 2008 and 2009.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009 from which the summarized information was derived.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recent Accounting Pronouncements

In January 2010, the FASB issued guidance to amend the disclosure requirements relating to recurring and nonrecurring fair value measurements. This guidance requires new disclosures on significant transfers of assets and liabilities in and out of Level 1 (quoted prices in active markets for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and timing of the transfers. Additionally, the guidance requires separate disclosure in the reconciliation of Level 3 fair value measurements (significant unobservable inputs) of information on purchases, sales, issuances, and settlements of the assets and liabilities measured using Level 3 inputs. The guidance also clarifies certain existing disclosures. The new disclosures and clarifications of existing disclosures are effective for fiscal years and interim periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the reconciliation of Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Other than requiring additional disclosures, the Organization does not believe its adoption of this guidance in 2011 and 2012 will have a material impact on the Organization's financial statements.

Subsequent Events

The Organization has evaluated subsequent events through December 9, 2010, which is the date these financial statements were available to be issued.

2. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash accounts with a financial institution insured by the Federal Deposit Insurance Corporation (FDIC). These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. In addition, the FDIC has a Transaction Account Guarantee Program, which provides full coverage for non-interest bearing transaction deposit accounts at FDIC insured institutions that agree to participate in the program. The unlimited insurance coverage is effective for participating institutions through December 31, 2010. The Organization's financial institution is a participant in this program. As of June 30, 2010, the Organization's cash balances were fully insured.

At June 30, 2010, the Organization held investments (see Note 13) of $521,635 in money market funds which were not insured and are subject to credit risk.

Account balances fluctuate throughout the Organization's monthly business cycle, which results in the balances exceeding insured limits from time to time. The Organization has not experienced any losses on its accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business.

Management believes that the Organization is not exposed to any significant credit risk with respect to its cash balances.

## 3. ACCOUNTS RECEIVABLE AND SIGNIFICANT CUSTOMERS

Accounts receivable at June 30, 2010 consists of the following:

| | Current | Long-term | Total |
|---|---|---|---|
| Pledges | | | |
| Contributions | $ 338,500 | $ - | $ 338,500 |
| Government support | 145,141 | - | 145,141 |
| Event revenue | 35,000 | - | 35,000 |
| | 518,641 | - | 518,641 |
| Discount on pledges | - | - | - |
| Subtotal | 518,641 | - | 518,641 |
| Educational fees | 3,000 | - | 3,000 |
| Other | 6,084 | - | 6,084 |
| Subtotal | 9,084 | - | 9,084 |
| Total | $ 527,725 | $ - | $ 525,725 |

The Organization had pledges receivable representing the following at June 30, 2010:

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Contributions | $ 63,500 | $ 275,000 | $ 338,500 |
| Government support | 75,141 | 70,000 | 145,141 |
| Event revenue | 10,000 | 25,000 | 35,000 |
| | 148,641 | 370,000 | 518,641 |
| Discount on pledges | - | - | - |
| Total | $ 148,641 | $ 370,000 | $ 518,641 |

Pledges receivable measured at fair value and net realizable value consist of the following at June 30, 2010:

| | |
|---|---|
| Measured at fair value | $ - |
| Measured at net realizable value | 518,641 |
| | $ 518,641 |

The Organization receives grants and contributions from various government sources, private foundations and individuals. For the year ended June 30, 2010, approximately 25% of the Organization's contributions were received from two donors. At June 30, 2010, 38% of accounts receivable were due from these donors.

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2010 consists of the following:

| | Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| Leasehold improvements | $ 15,601 | ($ 14,145) | $ 1,456 |
| Computer software | 40,330 | ( 40,330) | - |
| Production equipment | 95,125 | ( 66,260) | 28,865 |
| Office and computer equipment | 153,230 | ( 114,160) | 39,070 |
| | $ 304,286 | ($ 234,895) | $ 69,391 |

5. RELATED PARTY TRANSACTIONS

The Organization owes Concert Productions, Inc. $21,450 at June 30, 2010 for advances made by CPI to the Organization in prior years. During the year ended June 30, 2010, FTT made $40,000 in repayments on these advances. Additionally, no advances were received from CPI during this period. All advances are non-interest bearing and due on demand.

6. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2010:

| | |
|---|---|
| Time | $ 200,000 |
| Education | 664,572 |
| Radio | 50,000 |
| Television | 70,000 |
| | $ 984,572 |

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donor during the year ended June 30, 2010 as follows:

| | |
|---|---|
| Education | $ 862,324 |
| Office rent | 39,004 |
| Radio | 120,000 |
| | $ 1,021,328 |

7. IN-KIND DONATIONS

The value of donated goods and services included as contributions in the financial statements and the corresponding program expenses or assets for the year ended June 30, 2010 are as follows:

| | Expenses | | | | Revenue |
|---|---|---|---|---|---|
| | Program Services | General and Administrative | Fundraising | Total | Total |
| Professional fees | $ 107,820 | $ 44,223 | $ 12,500 | $ 164,543 | $ 164,543 |
| Event expenses | 9,100 | - | - | 9,100 | 9,100 |
| Marketing | - | - | 2,238 | 2,238 | 2,238 |
| Rent | 44,584 | 12,003 | 14,538 | 71,125 | 33,977 |
| Travel, lodging and meals | - | - | 2,807 | 2,807 | 2,807 |
| Office expenses | - | 588 | - | 588 | 588 |
| Total | $ 161,504 | $ 56,814 | $ 32,083 | $ 250,401 | $ 213,253 |

8. CONTINGENCIES

The Organization receives federal financial assistance in the form of grants from the National Endowment for the Arts (NEA), the U.S. Department of Education (DOE), and other agencies. This assistance must be used for the programs specified under the grant documents and is subject to federal regulatory provisions under OMB Circular A-133. Federal grants totaling $422,701 have been recognized as income during the year ended June 30, 2010. Accounts receivable include $81,527 due from NEA and $63,614 due from DOE at June 30, 2010.

The Organization receives funding from various state agencies and private foundations. Expenditures of funds from the federal and state agencies and certain private foundations require compliance with the grant agreements and are subject to audit by the grantor. Any disallowed expenditures resulting from such audits become a liability of the Organization. In the opinion of the Organization's management, disallowed expenditures, if any, will not have a material effect on the financial position of the Organization.

9. GRANT AGREEMENTS

Jack Kent Cooke Foundation

*Scholarship Program*

The Organization has entered into agreements with the Jack Kent Cooke Foundation to support outreach to identify applicants for the Jack Kent Cooke Foundation's Young Scholars Program and to support the Organization's scholarship program. The original grant was awarded in March 2005 for the period June 1, 2005 through May 31, 2006 and provided for two one-year renewal periods. Since the grant renewals, the Organization has entered into three additional agreements, with the latest grant awarded in May 2010, totaling $508,500, for the period June 1, 2010 through May 31, 2011. Grants awarded have ranged in value from $508,500 to $585,000.

Each agreement contains provisions that grant funds will be expended in accordance with the grant proposal as itemized in the proposed project budget. Any line item that exceeds more than 10 percent of the proposed budget must be agreed to in writing from the grantor. In addition, funds remaining at the completion of the grant period must be returned to the grantor unless the grantor agrees otherwise in writing.

A summary of cumulative activity through June 30, 2010 is as follows:

| | |
|---|---|
| Grant amounts | $ 3,178,000 |
| Cumulative expenditures incurred | |
| Scholarships | ( 1,153,416) |
| Program and administrative costs | ( 1,473,111) |
| Grant funds remaining | $ 551,473 |

9. GRANT AGREEMENTS - CONTINUED

Jack Kent Cooke Foundation - continued

*Scholarship Program - continued*

Grant funds held by award year as of June 30, 2010 is as follows:

| | |
|---|---|
| Grant Period Ending: | |
| May 31, 2006 | $ - |
| May 31, 2007 | - |
| May 31, 2008 | 1,328 |
| May 31, 2009 | 17,496 |
| May 31, 2010 | 53,413 |
| May 31, 2011 | 479,236 |
| Grant funds remaining | $ 551,473 |

Wallace Foundation

The Organization entered into a grant agreement with the Wallace Foundation in December 2006. The agreement provides the Organization with funds to support a peer-to-peer education program in the Boston Public School system and to provide funds to cover administrative costs associated with the program. The agreement provides that all costs are to be incurred during the grant period with unexpended amounts to be returned to the grantor unless approval is received to use funds to support other programs.

The grant agreement is for a period of four years, commencing on January 1, 2007 and concluding on December 31, 2010. The original grant amount was $368,000 and was increased by $44,000 to a total of $412,000. Investment earnings on funds received and not spent on program related costs are restricted and must be used in accordance with the grant agreement.

A summary of cumulative activity through June 30, 2010 is as follows:

| | |
|---|---|
| Grant amount | $ 412,000 |
| Investment earnings | 11,683 |
| Cumulative expenditures incurred | |
| Program | ( 297,455) |
| Administrative costs | ( 70,539) |
| Grant funds remaining | $ 55,689 |

10. CONTRACTUAL AGREEMENTS

NPR Agreement

In May 2009, the Organization entered into a distribution agreement with National Public Radio (NPR) to become the distributor of the radio shows produced by FTT for a three year term commencing on January 1, 2009. The agreement also grants NPR with the right of first refusal to acquire broadcast rights for new programs for one additional consecutive three-year period, commencing on January 1, 2012.

10. CONTRACTUAL AGREEMENTS - CONTINUED

NPR Agreement - continued

Provisions of the agreement provide for NPR to pay a minimum of $350,000 of station carriage fees each program year. Additional fees may be due to the Organization if actual carriage fees exceed the minimum amount in each program year. In addition, NPR will share a portion of sponsorship revenue received by NPR as follows; (i) 100% of the first $375,000 received each program year and (ii) 50% of the amount over $399,000 received in program year 2009 and 50% of the amount over $379,500 received in program years 2010 and 2011.

Amounts totaling $350,000 and $175,000 have been recognized as income and deferred revenue, respectively, for the year ended June 30, 2010.

Other

The Organization entered into an agreement to provide certain educational related content to McGraw Hill. The agreement provided for revenues for the content and royalties from the continuing publication of the content in text books. During the year ended June 30, 2010, royalties of approximately $11,934 were earned and are included in educational fees in the statement of activities.

11. LEASING ARRANGEMENTS

The Organization leased office space under the terms of a five year lease through December 31, 2006. Pursuant to the terms of the initial lease, the Organization received the use of this space at no charge. The lease was amended, effective October 2004, to increase the leased premises by 1,164 square feet, to be provided for by monthly payments on the additional space through September 30, 2008. During the year ended June 30, 2007, the lease was further amended, effective January 1, 2007, and incorporated the following changes: (i) increased the leased premises by 896 square feet, (ii) provided for rental payments on 1,164 square feet, and (iii) provided for a lease expiration date of December 31, 2009.

The lease, as amended, provided for free rent over the term of the lease for a portion of the space, which was valued at $202,403, net of a discount of $35,005 over the term of the lease. This amount was recognized as a temporarily restricted in-kind donation on the statement of activities during the year ended June 30, 2007.

The Organization was a tenant-at-will for the period January 1, 2010 through June 30, 2010, operating under the terms of the lease which expired December 31, 2009. An in-kind donation totaling $32,120 was recognized during the year ended June 30, 2010 for the period the Organization was a tenant-at-will.

Effective July 1, 2010, the Organization entered into a new lease agreement for its office space for a period of five years through June 30, 2015. Monthly payments commence at $2,294 and escalate to $2,721 over the term of the lease. Pursuant to the terms of the agreement, the Organization receives the use of the space at a cost below the fair market value, which is valued at $279,672, net of a discount of $37,081, over the term of the lease. This amount will be recorded as an in-kind contribution during fiscal year 2011. Under the provisions of the agreement, the Organization may also be responsible for the payment of operating costs or taxes, as defined in the agreement.

Rental expense for 2010 was $101,303 including releases of temporarily restricted income of $39,004.

## 11. LEASING ARRANGEMENTS - CONTINUED

Future scheduled minimum rental payments under the lease, at the reduced charge, are as follows:

| | |
|---|---|
| Year ended | |
| June 30, 2011 | $ 27,524 |
| June 30, 2012 | 28,690 |
| June 30, 2013 | 29,856 |
| June 30, 2014 | 31,022 |
| June 30, 2015 | 32,655 |
| | $ 149,747 |

## 12. EMPLOYEE BENEFIT PLAN

The Organization sponsors an individual based tax sheltered retirement savings plan under Section 403(b) of the Internal Revenue Code. This plan enables any employee who is willing to contribute at least $200 per year to the Plan. The Plan provides for no sponsor matching or contribution.

## 13. INVESTMENTS

As part of its cash management program, the Organization maintains an investment portfolio. Investments consist of money market funds and are valued at fair value which approximates cost at June 30, 2010.

For the year ended June 30, 2010, investment activity for the portfolio of marketable investment securities was as follows:

| | |
|---|---|
| Investments, beginning of year | $ 521,016 |
| Purchase of investments | - |
| Sale of investments | - |
| Investment income | |
| Dividend and interest | 834 |
| Amounts appropriated for operations | ( 215) |
| Investments, end of year | $ 521,635 |

## 14. FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the Organization adopted FASB's guidance on fair value measurements. The guidance establishes a framework for measuring fair value and expands related disclosures. Broadly, the guidance framework requires fair value to be determined based on 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 an asset or liability in an orderly transaction between market participants. The guidance establishes a three-level hierarchy based upon observable and non-observable inputs.

14. FAIR VALUE MEASUREMENTS - CONTINUED

The fair value hierarchy under the guidance is as follows:

*Level 1* Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

*Level 2* Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

*Level 3* Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance requires the use of observable data if such data is available without undue cost and effort.

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value of assets measured on a recurring basis as of June 30, 2010:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments | $ 521,635 | $ - | $ - | $ 521,635 |
| Pledges receivable | - | - | - | - |
| Total assets at fair value | $ 521,635 | $ - | $ - | $ 521,635 |

The fair value of pledges receivable that are due in more than one year is estimated by discounting expected future cash flows using a rate of return determined by management of the Organization.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The changes in assets measured at fair value for which the Organization has used Level 3 inputs are as follows for the year ended June 30, 2010:

| | |
|---|---|
| Balance, July 1, 2009 | $ 78,101 |
| Unrealized gains (losses) | - |
| Collections | ( 78,101) |
| Contributed revenue | - |
| Balance, June 30, 2010 | $ - |

15. NOTES PAYABLE

Line of Credit

The Organization had a revolving line of credit with a financial institution dated February 16, 2006. The line of credit was renewed annually and expired on February 16, 2010. The maximum amount available was \$150,000. Advances under the agreement were based on 75% of the Eligible Borrowing Base, as defined in the agreement. Monthly payments of interest only were due at the bank's prime rate plus 1.5%, on any outstanding balance. The line was secured by the general assets of the Organization and was subject to annual renewal. The agreement also contained certain covenants including a requirement that the line of credit have no outstanding balance for at least 60 days each year. There was no activity on the line of credit during the year ended June 30, 2010.

The Organization entered into a new revolving line of credit agreement with the same financial institution dated November 18, 2010. The line of credit is renewable annually and expires on November 18, 2011. The maximum amount available is \$150,000. Monthly payments of principal, as determined by the lender, and interest are due at the bank's prime rate for commercial loans plus 1.5%, on any outstanding balance. The line is secured by the general assets of the Organization, including funds held in accounts at the institution, and is subject to annual renewal. The agreement also contains certain covenants including a requirement that the line of credit have no outstanding balance for at least 60 days each year.

16. BOARD AND CEO DESIGNATED ASSETS

During fiscal year 2007, the Board of Directors established a goal of reserving \$900,000 of the Organization's unrestricted net assets as a working capital reserve. As of June 30, 2010, the Board of Directors has designated a portion of the unrestricted net assets in the amount of \$503,957 for this purpose. The Organization has segregated these funds, which are included in the long-term investments, into a money market account.

During fiscal year 2010, the Organization established a CEO-designated fund to honor its founding CEOs and Board members. The Founders' Fund was established to provide working capital to enable the Organization to take advantage of new opportunities that advance the Organization's mission. As of June 30, 2010, \$120,750 was raised for the Founders' Fund. The CEO-designated portion of unrestricted net assets totaled \$95,750 at June 30, 2010. The Organization has segregated these funds, which are included in cash, into a checking account with the Organization's financial institution. Additionally, \$25,000 of temporarily restricted accounts receivable funds were designated for the Founders' Fund at June 30, 2010.

## SUPPLEMENTAL INFORMATION

FROM THE TOP, INC.
(a Nonprofit Corporation)

SCHEDULE OF FUNCTIONAL EXPENSES - PROGRAM SERVICES

FOR THE YEAR ENDED JUNE 30, 2010

| | **Marketing & Communications** | **Radio** | **Education** | **Cooke** | **Total** |
|---|---|---|---|---|---|
| Direct production costs | $ - | $ 365,124 | $ - | $ - | $ 365,124 |
| Event expenses | - | 9,100 | - | - | 9,100 |
| Payroll and payroll taxes | 292,577 | 394,283 | 236,345 | 73,121 | 996,326 |
| Fringe benefits | 21,743 | 45,697 | 20,984 | 4,366 | 92,790 |
| Advertising | 4,404 | - | - | 15,232 | 19,636 |
| Scholarships | - | - | - | 285,390 | 285,390 |
| Insurance | 661 | 6,231 | 599 | 206 | 7,697 |
| Maintenance and repair | 1,339 | 1,641 | 1,214 | 417 | 4,611 |
| Marketing | 28,914 | 8,323 | 39,970 | 3,635 | 80,842 |
| Office expenses | 17,229 | 26,961 | 37,654 | 3,654 | 85,498 |
| Professional fees | 52,708 | 61,570 | 103,972 | 6,192 | 224,442 |
| Rent | 18,436 | 22,607 | 16,715 | 5,743 | 63,501 |
| Telephone / internet | 5,192 | 8,094 | 4,899 | 1,622 | 19,807 |
| Travel, lodging and meals | 6,855 | 166,658 | 37,269 | 19,976 | 230,758 |
| Depreciation and amortization | 6,861 | 22,011 | 6,220 | 2,137 | 37,229 |
| Total expenses | $ 456,919 | $ 1,138,300 | $ 505,841 | $ 421,691 | $ 2,522,751 |