

# **Positive Tomorrows Community Board, Inc.**

## *Financial Statements*

June 30, 2009 and 2008  
(With Independent Auditors' Report Thereon)



**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**FINANCIAL STATEMENTS**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Positive Tomorrows Community Board, Inc.  
Oklahoma City, Oklahoma

We have audited the accompanying statement of financial position of Positive Tomorrows Community Board, Inc. ("Positive Tomorrows") as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Positive Tomorrows' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Positive Tomorrows as of June 30, 2008, were audited by Eide Bailly, LLP, whose report dated June 30, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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, 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 Positive Tomorrows as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads "Finley &amp; Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma  
February 15, 2010

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**STATEMENTS OF FINANCIAL POSITION**

<i>June 30,</i>	<i>2009</i>	<i>2008</i>
<b>Assets</b>		
Current assets:		
Cash	\$ 60,906	181,691
Promises to give—current	295,619	278,915
Promise to give—building lease	37,182	39,161
Distributions receivable from OCCF	19,347	20,961
Investments, at fair value	97,298	169,143
Prepaid expenses	5,569	6,024
Total current assets	<u>515,921</u>	<u>695,895</u>
Property and equipment, at cost:		
Leasehold improvements	224,070	224,070
Vehicles	110,997	82,795
Furniture and equipment	72,939	82,783
	<u>408,006</u>	<u>389,648</u>
Less accumulated depreciation	<u>(182,578)</u>	<u>(219,441)</u>
Net property and equipment	<u>225,428</u>	<u>170,207</u>
Other assets:		
Long-term promises to give	132,249	161,076
Long-term promise to give—building lease	153,824	189,721
Beneficial interest in assets held by others— restricted for endowment	169,687	212,041
Total other assets	<u>455,760</u>	<u>562,838</u>
Total assets	<u>\$ 1,197,109</u>	<u>1,428,940</u>

(Continued)

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**STATEMENTS OF FINANCIAL POSITION, CONTINUED**

<i>June 30,</i>	<i>2009</i>	<i>2008</i>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 10,209	24,231
Accrued expenses	<u>13,541</u>	<u>12,148</u>
Total liabilities	<u>23,750</u>	<u>36,379</u>
Net assets:		
Unrestricted:		
Invested in property and equipment	225,428	170,207
Designated for endowment	91,809	134,163
Other unrestricted	<u>412,030</u>	<u>429,021</u>
	729,267	733,391
Temporarily restricted	366,214	581,292
Permanently restricted	<u>77,878</u>	<u>77,878</u>
Total net assets	<u>1,173,359</u>	<u>1,392,561</u>
Total liabilities and net assets	<u>\$ 1,197,109</u>	<u>1,428,940</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**STATEMENTS OF ACTIVITIES**

*Year Ended June 30, 2009*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public support and revenue</b>				
Contributions	\$ 375,081	277,989	-	653,070
Special events, net of costs of direct benefits to donors	552	-	-	552
Investment return	(16,257)	-	-	(16,257)
In-kind donations	12,104	-	-	12,104
Release of restrictions	493,067	(493,067)	-	-
Total public support and revenue	<u>864,547</u>	<u>(215,078)</u>	<u>-</u>	<u>649,469</u>
<b>Expenses</b>				
Program services:				
School	385,770	-	-	385,770
Social services	255,563	-	-	255,563
Total program services	<u>641,333</u>	<u>-</u>	<u>-</u>	<u>641,333</u>
Supporting services:				
Administration and general	100,212	-	-	100,212
Fundraising	127,126	-	-	127,126
Total supporting services	<u>227,338</u>	<u>-</u>	<u>-</u>	<u>227,338</u>
Total expenses	<u>868,671</u>	<u>-</u>	<u>-</u>	<u>868,671</u>
Changes in net assets	<u>(4,124)</u>	<u>(215,078)</u>	<u>-</u>	<u>(219,202)</u>
Net assets at beginning of year	<u>733,391</u>	<u>581,292</u>	<u>77,878</u>	<u>1,392,561</u>
Net assets at end of year	<u>\$ 729,267</u>	<u>366,214</u>	<u>77,878</u>	<u>1,173,359</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.****STATEMENTS OF ACTIVITIES, CONTINUED***Year Ended June 30, 2008*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public support and revenue</b>				
Contributions	\$ 427,233	167,988	-	595,221
Special events, net of costs of direct benefits to donors	37,925	-	-	37,925
Investment return	(4,897)	-	-	(4,897)
In-kind donations	12,684	-	-	12,684
Other revenue	12	-	-	12
Release of restrictions	<u>314,560</u>	<u>(314,560)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>787,517</u>	<u>(146,572)</u>	<u>-</u>	<u>640,945</u>
<b>Expenses</b>				
Program services:				
School	300,351	-	-	300,351
Social services	<u>204,794</u>	<u>-</u>	<u>-</u>	<u>204,794</u>
Total program services	<u>505,145</u>	<u>-</u>	<u>-</u>	<u>505,145</u>
Supporting services:				
Administration and general	81,155	-	-	81,155
Fundraising	<u>156,611</u>	<u>-</u>	<u>-</u>	<u>156,611</u>
Total supporting services	<u>237,766</u>	<u>-</u>	<u>-</u>	<u>237,766</u>
Total expenses	<u>742,911</u>	<u>-</u>	<u>-</u>	<u>742,911</u>
Changes in net assets	<u>44,606</u>	<u>(146,572)</u>	<u>-</u>	<u>(101,966)</u>
Net assets at beginning of year	<u>688,785</u>	<u>727,864</u>	<u>77,878</u>	<u>1,494,527</u>
Net assets at end of year	<u>\$ 733,391</u>	<u>581,292</u>	<u>77,878</u>	<u>1,392,561</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

*Year Ended June 30, 2009*

	Program Services			Supporting Services			Total Expenses
	School	Social Services	Total	General and Administration	Fundraising	Total	
Salaries and related expenses	\$ 252,598	163,295	415,893	55,520	85,498	141,018	556,911
Professional fees	3,802	42,129	45,931	20,262	2,926	23,188	69,119
Rent	23,241	14,244	37,485	5,698	6,797	12,495	49,980
Travel and transportation	12,951	8,320	21,271	2,713	10,248	12,961	34,232
Program services	32,551	540	33,091	-	-	-	33,091
Occupancy	12,800	7,842	20,642	6,498	3,126	9,624	30,266
Supplies	11,148	3,695	14,843	4,006	2,121	6,127	20,970
Insurance	8,270	5,069	13,339	2,027	2,419	4,446	17,785
Depreciation	16,559	-	16,559	-	-	-	16,559
Printing and publications	2,010	1,155	3,165	417	4,664	5,081	8,246
Equipment rental and maintenance	4,831	1,709	6,540	675	796	1,471	8,011
Telephone	3,742	2,212	5,954	640	1,103	1,743	7,697
Specific assistance to individuals	333	4,987	5,320	-	-	-	5,320
Miscellaneous expenses	121	30	151	554	2,656	3,210	3,361
Fundraising costs	-	-	-	-	3,222	3,222	3,222
Postage	646	299	945	112	1,550	1,662	2,607
Dues and subscriptions	167	37	204	1,021	-	1,021	1,225
Awards and grants	-	-	-	69	-	69	69
	<u>\$ 385,770</u>	<u>255,563</u>	<u>641,333</u>	<u>100,212</u>	<u>127,126</u>	<u>227,338</u>	<u>868,671</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.



**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES, CONTINUED**

*Year Ended June 30, 2008*

	Program Services			Supporting Services			Total Expenses
	School	Social Services	Total	General and Administration	Fundraising	Total	
Salaries and related expenses	\$ 160,809	133,044	293,853	37,428	55,135	92,563	386,416
Rent	37,485	9,996	47,481	2,499	-	2,499	49,980
Bad debt loss	-	-	-	-	49,840	49,840	49,840
Professional fees	1,141	23,178	24,319	21,543	346	21,889	46,208
Occupancy	17,483	10,716	28,199	4,286	5,114	9,400	37,599
Program services	27,920	258	28,178	-	29	29	28,207
Fundraising costs	-	-	-	-	21,864	21,864	21,864
Printing and publications	8,676	5,171	13,847	2,103	2,879	4,982	18,829
Depreciation	17,737	-	17,737	-	-	-	17,737
Supplies	6,491	1,930	8,421	5,881	2,739	8,620	17,041
Staff training	478	680	1,158	1,505	13,734	15,239	16,397
Insurance	7,615	4,668	12,283	1,867	2,227	4,094	16,377
Travel and transportation	7,017	7,219	14,236	287	721	1,008	15,244
Equipment rental and maintenance	2,758	1,690	4,448	676	806	1,482	5,930
Specific assistance to individuals	1,487	4,128	5,615	-	-	-	5,615
Equipment acquisition	1,756	1,150	2,906	899	582	1,481	4,387
Miscellaneous expenses	442	260	702	1,022	253	1,275	1,977
Postage	914	560	1,474	224	268	492	1,966
Dues and subscriptions	121	109	230	621	18	639	869
Awards and grants	21	37	58	314	56	370	428
	<u>\$ 300,351</u>	<u>204,794</u>	<u>505,145</u>	<u>81,155</u>	<u>156,611</u>	<u>237,766</u>	<u>742,911</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**STATEMENTS OF CASH FLOWS**

**Increase (Decrease) in Cash and Cash Equivalents**

<i>Years Ended June 30,</i>	<i>2009</i>	<i>2008</i>
<b>Cash flows from operating activities:</b>		
Decrease in net assets	\$ (219,202)	(101,966)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation	16,559	17,737
Bad debt loss	-	49,840
Investment loss	16,257	14,569
Noncash donated facilities use	37,876	37,296
Amortization of discount—unconditional promises to give	(71,392)	(24,097)
(Increase) decrease in operating assets:		
Promises to give	71,411	78,197
Prepaid expenses	455	-
Distribution receivable from OCCF	1,614	(1,168)
Increase (decrease) in operating liabilities:		
Accounts payable	(14,022)	21,187
Accrued expenses	1,393	2,009
Net cash (used in) provided by operating activities	<u>(159,051)</u>	<u>93,604</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment, net	(38,662)	(1,111)
Purchase of investments	-	(84,111)
Sale of investments	76,928	12,361
Net cash provided by (used in) investing activities	<u>38,266</u>	<u>(72,861)</u>
<b>Net (decrease) increase in cash</b>	(120,785)	20,743
Cash at beginning of year	<u>181,691</u>	<u>160,948</u>
Cash at end of year	<u>\$ 60,906</u>	<u>181,691</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009 and 2008**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Positive Tomorrows Community Board, Inc. (“Positive Tomorrows”) was organized and incorporated in 1991 in Oklahoma as a nonprofit organization which has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The stated purpose of Positive Tomorrows is to provide education and social services to students who are not presently enrolled in or attending school and who live in an Oklahoma City shelter for homeless families, domestic violence shelter, or other temporary nighttime residence, and to process them as expediently as possible into permanent enrollment in Oklahoma City Public Schools.

Positive Tomorrows receives an annual allocation from the United Way of Oklahoma City. Other revenue sources include fundraisers, pledges, donations, and various grants by individuals and other organizations.

**Basis of Accounting**

Positive Tomorrows uses the accrual basis of accounting whereby revenues are recognized when earned and expenses when incurred. Contribution revenues are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Expenses incurred but not paid at year-end are represented by a liability on the statements of financial position. Expenses paid but not incurred at year-end are represented by an asset on the financial statements. Net assets represent the cumulative excess of revenues recognized over expenses incurred.

See Independent Auditors’ Report.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted net assets*—Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets*—Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Positive Tomorrows and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions
- *Permanently restricted net assets*—Net assets subject to donor-imposed stipulations that they be permanently maintained by Positive Tomorrows.

**Use of Estimates**

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

**Functional Expenses**

Expenses by function have been allocated among program and supporting services, with general and administration and fundraising classifications on the basis of estimates made by Positive Tomorrows' management.

**Cash**

For purposes of the statements of cash flows, cash includes all cash and checking accounts held by Positive Tomorrows in financial institutions.

As of June 30, 2009, the carrying amount of Positive Tomorrows' cash deposit was fully collateralized by federal depository insurance.

See Independent Auditors' Report.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to Positive Tomorrows that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restricted purpose is met, temporarily restricted net assets are reclassified to unrestricted net assets.

**Allowance for Uncollectible Amounts**

Promises to give are stated at unpaid balances less an allowance for uncollectible amounts. Positive Tomorrows reviews outstanding pledges and provides for the probable uncollectible amounts based on experience and other factors.

**Investments**

Investments in marketable securities are reported at fair value in the statements of financial position.

Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets.

**Property and Equipment**

Property and equipment of \$500 or more are recorded at cost. Donated property and equipment are recorded at fair market value as of the date contributed. If donors stipulate how the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Property and equipment are depreciated over their estimated useful lives of 3 to 39 years using the straight-line method.

**Donated Services and Materials**

Donated services requiring specialized skills which would otherwise have to be purchased have been recorded at fair market value. Donated materials such as used furniture and clothing are not recorded in the financial statements because a fair value cannot be objectively measured. Donated materials whose value can be measured are recorded at fair market value as of the date the materials are received.

See Independent Auditors' Report.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Advertising Costs**

All costs associated with advertising are expensed as incurred.

**Income Taxes**

Positive Tomorrows qualifies as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision has been made for federal or state income taxes.

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, Positive Tomorrows is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, Positive Tomorrows has not implemented those provisions in the 2009 financial statements.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, Positive Tomorrows continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of June 30, 2009, Positive Tomorrows has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**Compensated Absences**

Employees of Positive Tomorrows are entitled to paid vacations and medical leave, depending on job classification, length of service, and other factors.

See Independent Auditors' Report.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Adoption of New Accounting Principles**

In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. SFAS 157 was effective for Positive Tomorrows' financial assets and liabilities on July 1, 2008. SFAS 157 has not and is not expected to materially affect how Positive Tomorrows determines fair value, but has resulted and will result in certain additional disclosures (see Note 9).

In August 2008, FASB issued Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The FASB Staff Position (FSP) provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This FSP also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-restricted endowment funds), whether or not the organization is subject to UPMIFA. Positive Tomorrows is subject to UPMIFA and has adopted the FSP effective for the fiscal year ended June 30, 2009. The FSP did not have a material effect on Positive Tomorrows' financial statements.

**(2) FUNDRAISING EVENTS**

One silent auction and various small sales are held during the year as fundraising activities. The costs of direct benefits to donors are included in the revenue section of the statements of activities. Indirect fundraising costs associated with these activities are reported on the statements of functional expenses.

**(3) INVESTMENTS**

As of June 30, 2009, investments consisted of a certificate of deposit with a fair market value of \$97,298. As of June 30, 2008, investments consisted of a real estate investment trust donated to Positive Tomorrows and two certificates of deposit with a fair market value of \$169,143.

See Independent Auditors' Report.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

**Oklahoma City Community Foundation**

Positive Tomorrows is the beneficiary of distributions from a designated endowment fund under the control of the Oklahoma City Community Foundation (OCCF). OCCF has variance power over the funds and is the legal owner of the funds. As of June 30, 2009 and 2008, the total value of this fund was \$321,597 and \$389,228, respectively. Distributions are calculated at 5% of the market value of the fund, averaged over 8 quarters to smooth out market fluctuations. During 2009 and 2008, distributions from the fund were \$19,347 and \$20,961, respectively. The distribution amounts were subsequently received after year-end and are reflected as distributions receivable from OCCF on the statements of financial position.

As of June 30, 2009 and 2008, included in the designated endowment fund is a beneficial interest in assets held by others of \$169,687 and \$212,041, respectively, which results from transfers from Positive Tomorrows to OCCF, with Positive Tomorrows as beneficiary. As such, these amounts are reported as liabilities by OCCF and a beneficial interest by Positive Tomorrows. This interest is reported at its fair market value as determined by OCCF.

As of June 30, 2009 and 2008, the remaining balances of the designated endowment fund at OCCF of \$151,910 and \$177,185, respectively, include contributions made by others for the benefit of Positive Tomorrows. The OCCF board has the power to modify the donor's stipulations under certain circumstances as the OCCF board monitors the changing needs of the community. As such, this amount is not included as an asset, but distributions are recorded as a contribution when received.

OCCF's various investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Risk is reduced by maintaining high-quality diversification. Investments are overseen by an active committee. Positive Tomorrows' beneficial interest held with OCCF was made up of the following types of investments at June 30:

	2009		2008	
	Market Value	Credit Exposure as a Percentage of Total Investment	Market Value	Credit Exposure as a Percentage of Total Investment
OCCF investment:				
Cash and equivalent funds	\$ 7,857	4.63%	11,111	5.24%
Securities:				
Equity funds	100,132	59.01%	126,398	59.61%
Fixed-income funds	61,698	36.36%	74,532	35.15%
	\$ 169,687	100.00%	212,041	100.00%

See Independent Auditors' Report.



**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS, CONTINUED**

**Endowment Amounts**

The assets held by OCCF have been designated as endowment funds by Positive Tomorrows. A portion has been designated as permanently restricted and a portion as unrestricted but board-designated. The balances and changes for 2009 and 2008 are reflected below:

	<u>2009</u>	<u>2008</u>
Board-designated at beginning of year	\$ 134,163	153,734
Change in fair market value of investments	<u>(42,354)</u>	<u>(19,571)</u>
Board-designated at end of year	91,809	134,163
Permanently restricted at beginning and end of year	<u>77,878</u>	<u>77,878</u>
	<u>\$ 169,687</u>	<u>212,041</u>

Positive Tomorrows cannot access any of the monies at OCCF.

**(5) PROMISES TO GIVE**

Unconditional grants and promises to give at June 30, 2009, were as follows:

Unrestricted grants and promises to give	\$ 286,600
Restricted for use in 2010	114,957
Restricted for periods after 2010	<u>75,925</u>
	<u>\$ 477,482</u>
Receivable in less than 1 year	\$ 301,557
Receivable in 1 to 5 years	<u>175,925</u>
Total unconditional promises to give	477,482
Less discounts to net present value	<u>(11,833)</u>
	465,649
Less allowance for uncollectible amounts	<u>(37,781)</u>
	427,868
Less current portion	<u>(295,619)</u>
Long-term portion	<u>\$ 132,249</u>

See Independent Auditors' Report.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) PROMISE TO GIVE—BUILDING LEASE**

During the year ended June 30, 2006, Positive Tomorrows entered into a lease agreement which expires September 2013, whereby Positive Tomorrows will pay \$1 per year to lease its existing facilities. The fair market value of this donation is \$49,980 per year. This donation has been discounted to its net present value using a discount rate of 5% and is reflected as a promise to give, net of the related discount, in the statements of financial position. The discount is being amortized over the life of the lease. Amortization of the discount is shown on the statements of activities as in-kind donations.

The unconditional promise to give—building lease is summarized as follows as of June 30:

	<u>2009</u>	<u>2008</u>
Receivable in less than 1 year	\$ 49,980	49,980
Receivable in 1 to 5 years	<u>162,435</u>	<u>212,415</u>
Total unconditional promise to give— building lease	212,415	262,395
Less discounts to net present value	<u>(21,409)</u>	<u>(33,513)</u>
Net unconditional promise to give— building lease	191,006	228,882
Less current portion	<u>(37,182)</u>	<u>(39,161)</u>
Long-term portion	<u>\$ 153,824</u>	<u>189,721</u>

**(7) INVESTMENT RETURN**

The following schedule summarizes investment return and its classification in the statement of activities as of June 30, 2009:

Investment distribution with OCCF	\$ 20,961
Unrealized loss in assets held by OCCF	(42,354)
Interest income—other	<u>5,136</u>
Net investment return	<u>\$ (16,257)</u>

See Independent Auditors' Report.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(8) RESTRICTED NET ASSETS**

As of June 30, 2009 and 2008, permanently restricted net assets of \$77,878 were restricted for endowment. This is an apportionment of funds held by OCCF for the benefit of Positive Tomorrows (see Note 4).

As of June 30, 2009, temporarily restricted net assets were available for the following purposes or periods:

Education services in 2010 (time and purpose restriction)	\$	101,124
Family support services in 2010 (time and purpose restriction)		74,084
Time restriction only (to be released in fiscal years 2010)		37,182
Time restriction only (to be released in fiscal years 2011 to 2014)		<u>153,824</u>
Total temporarily restricted net assets	\$	<u>366,214</u>

As of June 30, 2009, net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors were as follows:

Purpose restriction accomplished:		
Education	\$	130,999
Family support services		74,999
Transportation expenses		71,781
Time restriction only		<u>215,288</u>
Total restrictions released	\$	<u>493,067</u>

**(9) DISCLOSURE OF FAIR VALUE MEASUREMENT**

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 consists of unobservable inputs, which are used where observable inputs are unavailable, and have the lowest priority. Positive Tomorrows uses appropriate valuation techniques based on the available inputs to measure the fair value of its financial instruments.

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**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(9) DISCLOSURE OF FAIR VALUE MEASUREMENT, CONTINUED**

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy:

- Investments consist of a certificate of deposit with a local financial institution. The cost and fair market value are approximately the same.
- Long-term promises to give are unconditional promises to give due in more than 1 year and are estimated by discounting expected future cash flows using a discount rate of 5%.
- Long-term promise to give—building lease is an unconditional in-kind building lease donation. The fair value of the building lease is based on the fair market value of the annual lease donation and discounted to its net present value using a discount rate of 5%.
- Beneficial interest in assets held by others consists of a financial interest in pooled investments held by OCCF. The fair value of the investments is reported by OCCF based on their various inputs to measure the fair value of their investments.

The fair value of financial instruments measured on a recurring basis at June 30, 2009, is as follows:

	Measured at <u>Fair Value</u>	Fair Value Measurements at Reporting Date Using		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Financial assets:				
Investment	\$ 97,298	-	97,298	-
Long-term promises to give	132,249	-	-	132,249
Long-term promise to give— building lease	153,824	-	-	153,824
Beneficial interest in assets held by others—restricted for endowment	<u>169,687</u>	<u>-</u>	<u>-</u>	<u>169,687</u>
	<u>\$ 553,058</u>	<u>-</u>	<u>97,298</u>	<u>455,760</u>

See Independent Auditors' Report.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(9) DISCLOSURE OF FAIR VALUE MEASUREMENT, CONTINUED**

The following is a reconciliation of the beginning and ending balances for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2009:

	Long-Term Promises to Give	Long-Term Promise to Give— <u>Building Lease</u>	Beneficial Interest in Assets Held by Others— Restricted for <u>Endowment</u>	<u>Total</u>
Balance at beginning of year	\$ 161,076	189,721	212,041	562,838
Realized and unrealized changes in value	-	-	(42,354)	(42,354)
Issuances and settlements, net	<u>(28,827)</u>	<u>(35,897)</u>	<u>-</u>	<u>(64,724)</u>
Balance at end of year	<u>\$ 132,249</u>	<u>153,824</u>	<u>169,687</u>	<u>455,760</u>

**(10) OPERATING LEASE**

In 2008, Positive Tomorrows entered into a 5-year operating lease agreement for the lease of office equipment. Lease expense for the years ended June 30, 2009 and 2008, was \$3,061 and \$2,879, respectively. Future minimum lease payments are:

<u>Year Ending June 30,</u>	
2010	\$ 3,061
2011	3,061
2012	3,061
2013	<u>2,296</u>
	<u>\$ 11,479</u>

**(11) EMPLOYEE COST**

Positive Tomorrows has an agreement with a professional personnel staffing company (Accord) to utilize Accord's personnel services. Accord is the employer of record for tax purposes, responsible for withholding and remitting federal and state taxes under its own federal identification number. Positive Tomorrows directs the employees' day-to-day activities. Positive Tomorrows' payment to Accord includes a service fee for managing the human resources and payroll functions.

See Independent Auditors' Report.

**POSITIVE TOMORROWS COMMUNITY BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(12) RETIREMENT PLAN**

Positive Tomorrows has a 401(k) retirement plan through Accord for its employees. Employee contributions are matched at 50% up to a maximum of 3% of the employee's salary. For the 2009 and 2008 fiscal years, Positive Tomorrows contributed \$3,372 and \$4,130, respectively, to the plan, which is included in salaries and related expenses on the statements of functional expenses.

**(13) SUBSEQUENT EVENTS**

**Pledge**

During July 2009, Positive Tomorrows received a \$500,000 pledge, to be paid over 5 years at \$100,000 per year. An initial contribution of \$50,000 was paid with the pledge.

**Date of Management Evaluation**

In accordance with SFAS No. 165, *Subsequent Events*, management of Positive Tomorrows has evaluated subsequent events through February 15, 2010, which is the date the financial statements were available to be issued.

See Independent Auditors' Report.