

Positive Tomorrows Community Board, Inc.

Financial Statements

June 30, 2010 and 2009
(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 statements of financial position of Positive Tomorrows Community Board, Inc. ("Positive Tomorrows") as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Finley & Cook, PLLC

Shawnee, Oklahoma
December 1, 2010

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

STATEMENTS OF FINANCIAL POSITION

<i>June 30,</i>	<i>2010</i>	<i>2009</i>
Assets		
Current assets:		
Cash	\$ 112,519	60,906
Current promises to give, net of allowance	432,084	295,619
Current promise to give—building lease	43,676	37,182
Accounts receivable	3,811	2,417
Distributions receivable from OCCF	17,643	19,347
Investments, at fair value	98,572	97,298
Prepaid expenses	5,805	5,569
Total current assets	<u>714,110</u>	<u>518,338</u>
Property and equipment, at cost:		
Leasehold improvements	224,070	224,070
Vehicles	110,997	110,997
Furniture and equipment	72,939	72,939
	<u>408,006</u>	<u>408,006</u>
Less accumulated depreciation	<u>(199,137)</u>	<u>(182,578)</u>
Net property and equipment	<u>208,869</u>	<u>225,428</u>
Other assets:		
Long-term promises to give, net of allowance and discount	315,025	129,832
Long-term promise to give—building lease, net of discount	105,961	153,824
Beneficial interest in assets held by others— restricted for endowment	181,939	169,687
Total other assets	<u>602,925</u>	<u>453,343</u>
Total assets	<u>\$ 1,525,904</u>	<u>1,197,109</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>2010</i>	<i>2009</i>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 6,901	10,209
Compensated absences expense	<u>18,426</u>	<u>13,541</u>
Total liabilities	<u>25,327</u>	<u>23,750</u>
Net assets:		
Unrestricted:		
Invested in property and equipment	208,869	225,428
Designated for endowment	104,061	91,809
Other unrestricted	<u>789,907</u>	<u>412,030</u>
	1,102,837	729,267
Temporarily restricted	319,862	366,214
Permanently restricted	<u>77,878</u>	<u>77,878</u>
Total net assets	<u>1,500,577</u>	<u>1,173,359</u>
Total liabilities and net assets	<u>\$ 1,525,904</u>	<u>1,197,109</u>

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

POSITIVE TOMORROWS COMMUNITY BOARD, INC.**STATEMENTS OF ACTIVITIES***Year Ended June 30, 2010*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue				
Contributions	\$ 935,322	213,225	-	1,148,547
Special events, net of costs of direct benefits to donors	11,869	-	-	11,869
Investment return	31,226	-	-	31,226
In-kind donations	16,066	-	-	16,066
Release of restrictions	<u>259,577</u>	<u>(259,577)</u>	-	-
Total public support and revenue	<u>1,254,060</u>	<u>(46,352)</u>	-	<u>1,207,708</u>
Expenses				
Program services:				
School	384,470	-	-	384,470
Social services	<u>236,768</u>	-	-	<u>236,768</u>
Total program services	<u>621,238</u>	-	-	<u>621,238</u>
Supporting services:				
Administration and general	88,837	-	-	88,837
Fundraising	<u>170,415</u>	-	-	<u>170,415</u>
Total supporting services	<u>259,252</u>	-	-	<u>259,252</u>
Total expenses	<u>880,490</u>	-	-	<u>880,490</u>
Changes in net assets	<u>373,570</u>	<u>(46,352)</u>	-	<u>327,218</u>
Net assets at beginning of year	<u>729,267</u>	<u>366,214</u>	<u>77,878</u>	<u>1,173,359</u>
Net assets at end of year	<u>\$ 1,102,837</u>	<u>319,862</u>	<u>77,878</u>	<u>1,500,577</u>

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

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue				
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	<u>493,067</u>	<u>(493,067)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>864,547</u>	<u>(215,078)</u>	<u>-</u>	<u>649,469</u>
Expenses				
Program services:				
School	385,770	-	-	385,770
Social services	<u>255,563</u>	<u>-</u>	<u>-</u>	<u>255,563</u>
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	<u>127,126</u>	<u>-</u>	<u>-</u>	<u>127,126</u>
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 FUNCTIONAL EXPENSES

Year Ended June 30, 2010

	Program Services			Supporting Services			Total Expenses
	School	Social Services	Total	General and Administration	Fundraising	Total	
Salaries and related expenses	\$ 228,131	168,320	396,451	64,483	84,817	149,300	545,751
Professional fees	17,769	25,637	43,406	7,720	3,794	11,514	54,920
Rent	29,638	11,545	41,183	3,299	5,498	8,797	49,980
Bad debts expense	-	-	-	-	45,407	45,407	45,407
Travel and transportation	5,423	4,128	9,551	913	861	1,774	11,325
Program services	35,285	-	35,285	-	-	-	35,285
Occupancy	19,005	10,475	29,480	3,157	3,808	6,965	36,445
Supplies	6,727	1,977	8,704	1,365	711	2,076	10,780
Insurance	6,920	5,060	11,980	1,774	2,412	4,186	16,166
Depreciation	16,559	-	16,559	-	-	-	16,559
Printing and publications	6,394	3,162	9,556	1,180	2,431	3,611	13,167
Equipment rental and maintenance	1,914	979	2,893	308	369	677	3,570
Telephone	5,051	2,433	7,484	976	1,160	2,136	9,620
Specific assistance to individuals	3,514	2,374	5,888	-	-	-	5,888
Miscellaneous expenses	736	130	866	793	23	816	1,682
Fundraising costs	-	-	-	-	10,252	10,252	10,252
Postage	1,053	443	1,496	343	982	1,325	2,821
Dues and subscriptions	351	105	456	2,526	435	2,961	3,417
Professional services-in-kind	-	-	-	-	7,455	7,455	7,455
	<u>\$ 384,470</u>	<u>236,768</u>	<u>621,238</u>	<u>88,837</u>	<u>170,415</u>	<u>259,252</u>	<u>880,490</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, 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 CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

<i>Years Ended June 30,</i>	<i>2010</i>	<i>2009</i>
Cash flows from operating activities:		
Changes in net assets	\$ 327,218	(219,202)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	16,559	16,559
Bad debts expense	45,407	-
Unrealized (gain) loss in assets held by OCCF	(12,252)	42,354
Noncash donated facilities use	41,369	37,876
Increase (decrease) in discount— unconditional promises to give	41,869	(71,392)
(Increase) decrease in operating assets:		
Accounts receivable	(1,394)	879
Promises to give	(408,934)	49,518
Prepaid expenses	(236)	455
Distributions receivable from OCCF	1,704	1,614
Increase (decrease) in operating liabilities:		
Accounts payable	(3,308)	(14,022)
Compensated absences expense	4,885	1,393
Net cash provided by (used in) operating activities	<u>52,887</u>	<u>(153,968)</u>
Cash flows from investing activities:		
Purchase of property and equipment, net	-	(38,662)
Purchase of investments	(1,274)	-
Proceeds from sale of investments	-	71,845
Net cash (used in) provided by investing activities	<u>(1,274)</u>	<u>33,183</u>
Net increase (decrease) in cash	51,613	(120,785)
Cash at beginning of year	<u>60,906</u>	<u>181,691</u>
Cash at end of year	<u>\$ 112,519</u>	<u>60,906</u>

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

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

(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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation

Financial statement presentation follows the recommendations of the *Accounting Standards Codification* Topic 958, “Not-for-Profit Entities” (ASC 958), formerly Statement of Financial Accounting Standards No. 117. 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.

See Independent Auditors’ Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash

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

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 prior years experience, management's analysis of specific promises made, and other factors.

Concentration of Credit

Positive Tomorrows had certain concentrations of credit risk with financial institutions in the form of uninsured cash and a certificate of deposit. As of June 30, 2010, the carrying amount of Positive Tomorrows' cash and a certificate of deposit was fully collateralized by deferral depository insurance.

Positive Tomorrows received contributions from three donors totaling approximately \$325,000 in 2010 and contributions from two donors totaling approximately \$250,000 in 2009. These contributions represent approximately 28% and 38% of total contribution revenue in 2010 and 2009, respectively. Promises to give totaling approximately \$695,000 were due from three donors at June 30, 2010, and promises to give totaling approximately \$350,000 were due from two donors at June 30, 2009. These receivables represent approximately 93% and 82% of total promises to give at June 30, 2010 and 2009, respectively.

See Independent Auditors' Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 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 value. Positive Tomorrows received \$7,455 donated services in 2010.

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 and are greater than \$1,000 are recorded at fair value as of the date the materials are received.

Advertising Costs

All costs associated with advertising are expensed as incurred.

See Independent Auditors' Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Positive Tomorrows evaluates and accounts for its uncertain tax positions in accordance with ASC Topic 740, "Income Taxes," required by former Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109*, including Positive Tomorrows' tax position as a pass-through entity. Through its evaluation of Positive Tomorrows' uncertain tax positions, management has determined no uncertain tax positions exist as of June 30, 2010 and 2009, which would require Positive Tomorrows to record a liability for the uncertain tax positions in its financial statements. Interest and penalties, if any, resulting from any uncertain tax position required to be recorded by Positive Tomorrows would be presented in other noninterest expense in the statements of activities.

Compensated Absences

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

Reclassification of Prior Year Amounts

Certain amounts from 2009 have been reclassified to make them comparable with the 2010 presentation.

(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, 2010 and 2009, investments consisted of a certificate of deposit with a fair value of \$98,572 and \$97,298, respectively.

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, 2010 and 2009, the total value of this fund was \$345,091 and \$321,597, respectively. Distributions are calculated at 5% of the fair value of the fund, averaged over 8 quarters to smooth out market fluctuations. During 2010 and 2009, distributions from the fund were \$17,643 and \$19,347, 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, 2010 and 2009, included in the designated endowment fund is a beneficial interest in assets held by others of \$181,939 and \$169,687, 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 value as determined by OCCF.

As of June 30, 2010 and 2009, the remaining balances of the designated endowment fund at OCCF of \$163,152 and \$151,910, 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.

See Independent Auditors' Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Oklahoma City Community Foundation, Continued

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:

	2010		2009	
	Fair Value	Credit Exposure as a Percentage of Total Investment	Fair Value	Credit Exposure as a Percentage of Total Investment
OCCF investments:				
Cash and equivalent funds	\$ 5,568	3.06%	7,857	4.63%
Securities:				
Equity funds	110,091	60.51%	100,132	59.01%
Fixed-income funds	66,280	36.43%	61,698	36.36%
	\$ 181,939	100.00%	169,687	100.00%

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 2010 and 2009 are reflected below:

	2010	2009
Board-designated at beginning of year	\$ 91,809	134,163
Change in fair value of investments	12,252	(42,354)
Board-designated at end of year	104,061	91,809
Permanently restricted at beginning and end of year	77,878	77,878
	\$ 181,939	169,687

Positive Tomorrows cannot access any of the monies at OCCF.

See Independent Auditors' Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) PROMISES TO GIVE

Unconditional promises to give at June 30 consist of:

	<u>2010</u>	<u>2009</u>
Board pledge receivable	\$ 53,900	1,475
Grant receivable	276,058	382,709
Multi-year pledge	554,041	90,882
Less allowance	(83,188)	(37,782)
Less discount	(53,702)	(11,833)
	<u>747,109</u>	<u>425,451</u>
Current portion:		
Board pledge receivable	53,900	1,475
Grant receivable	276,058	293,738
Multi-year pledge	147,417	14,957
Less allowance	(45,291)	(14,551)
Total current portion	<u>432,084</u>	<u>295,619</u>
Long-term portion (1 to 5 years)	<u>\$ 315,025</u>	<u>129,832</u>

Unconditional promises to give due in more than 1 year are recognized at fair value and are discounted to its net present value using a discount rate of 5% when the donor makes an unconditional promise to give to Positive Tomorrows.

(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 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.

See Independent Auditors' Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) PROMISE TO GIVE—BUILDING LEASE, CONTINUED

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

	<u>2010</u>	<u>2009</u>
Receivable in less than 1 year	\$ 49,980	49,980
Receivable in 1 to 5 years	<u>112,455</u>	<u>162,435</u>
Total unconditional promise to give— building lease	162,435	212,415
Less discounts to net present value	<u>(12,798)</u>	<u>(21,409)</u>
Net unconditional promise to give— building lease	149,637	191,006
Less current portion	<u>(43,676)</u>	<u>(37,182)</u>
 Long-term portion	 <u>\$ 105,961</u>	 <u>153,824</u>

(7) INVESTMENT RETURN

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

	<u>2010</u>	<u>2009</u>
Investment distribution from OCCF	\$ 17,643	19,347
Unrealized gain (loss) in assets held by OCCF	12,252	(42,354)
Interest income—other	<u>1,331</u>	<u>6,750</u>
 Investment return	 <u>\$ 31,226</u>	 <u>(16,257)</u>

See Independent Auditors' Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) RESTRICTED NET ASSETS

As of June 30, 2010 and 2009, 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, 2010 and 2009, temporarily restricted net assets were available for the following purposes or periods:

<u>2010</u>	
Time and/or purpose restriction:	
Education services in 2011	\$ 91,349
Family support services in 2011	78,876
Building lease to be released in fiscal year 2011	43,676
Building lease to be released in fiscal years 2012 and 2013	<u>105,961</u>
Total temporarily restricted net assets	<u>\$ 319,862</u>

<u>2009</u>	
Time and/or purpose restriction:	
Education services in 2010	\$ 101,124
Family support services in 2010	74,084
Building lease to be released in fiscal year 2010	37,182
Building lease to be released in fiscal years 2011 to 2013	<u>153,824</u>
Total temporarily restricted net assets	<u>\$ 366,214</u>

See Independent Auditors' Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) RESTRICTED NET ASSETS, CONTINUED

As of June 30, 2010 and 2009, net assets released from donor restrictions by incurring expenses satisfying the time and/or purpose restrictions specified by donors were as follows:

2010

Time and/or purpose restriction accomplished:	
Education	\$ 101,124
Family support services	94,084
Salary expenses	23,000
Building lease	<u>41,369</u>
Total restrictions released	<u>\$ 259,577</u>

2009

Time and/or purpose restriction accomplished:	
Education	\$ 130,999
Family support services	74,999
Transportation expenses	71,781
Time restriction only (including building lease)	<u>215,288</u>
Total restrictions released	<u>\$ 493,067</u>

See Independent Auditors' Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(9) DISCLOSURE OF FAIR VALUE MEASUREMENT

ASC Topic 820, “Fair Value Measurements and Disclosures,” 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 inputs 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.

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 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 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.

See Independent Auditors’ Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(9) DISCLOSURE OF FAIR VALUE MEASUREMENT, CONTINUED

The fair values of financial instruments measured on a recurring basis as of June 30 were as follows:

	Measured at <u>Fair Value</u>	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
<u>2010</u>				
Financial assets:				
Investments	\$ 98,572	-	98,572	-
Long-term promises to give, net	315,025	-	-	315,025
Long-term promise to give— building lease, net	105,961	-	-	105,961
Beneficial interest in assets held by others—restricted for endowment	<u>181,939</u>	<u>-</u>	<u>-</u>	<u>181,939</u>
	<u>\$ 701,497</u>	<u>-</u>	<u>98,572</u>	<u>602,925</u>
<u>2009</u>				
Financial assets:				
Investments	\$ 97,298	-	97,298	-
Long-term promises to give, net	129,832	-	-	129,832
Long-term promise to give— building lease, net	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>\$ 550,641</u>	<u>-</u>	<u>97,298</u>	<u>453,343</u>

See Independent Auditors' Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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 years ended June 30:

	Long-Term Promises to Give	Long-Term Promise to Give— Building Lease	Beneficial Interest in Assets Held by Others— Restricted for Endowment	Total
<u>2010</u>				
Balance at beginning of year	\$ 129,832	153,824	169,687	453,343
Realized and unrealized changes in value	-	-	12,252	12,252
Issuances and settlements, net	<u>185,193</u>	<u>(47,863)</u>	<u>-</u>	<u>137,330</u>
Balance at end of year	<u>\$ 315,025</u>	<u>105,961</u>	<u>181,939</u>	<u>602,925</u>
<u>2009</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>(31,244)</u>	<u>(35,897)</u>	<u>-</u>	<u>(67,141)</u>
Balance at end of year	<u>\$ 129,832</u>	<u>153,824</u>	<u>169,687</u>	<u>453,343</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, 2010 and 2009, was \$3,061. Future minimum lease payments are:

<u>Year Ending June 30,</u>	
2011	\$ 3,061
2012	3,061
2013	<u>2,296</u>
	<u>\$ 8,418</u>

See Independent Auditors' Report.

POSITIVE TOMORROWS COMMUNITY BOARD, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(11) EMPLOYEE COST

Positive Tomorrows has an agreement with a professional personnel staffing company to provide personnel services. The staffing company 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 the staffing company includes a service fee for managing the human resources and payroll functions.

(12) RETIREMENT PLAN

Positive Tomorrows has a 401(k) retirement plan through the staffing company for its employees. Employee contributions are matched at 50% up to a maximum of 3% of the employee's salary. For the 2010 and 2009 fiscal years, Positive Tomorrows contributed \$3,059 and \$3,372, respectively, to the plan, which is included in salaries and related expenses on the statements of functional expenses.

(13) SUBSEQUENT EVENTS

Date of Management Evaluation

In accordance with ASC Topic 855, "Subsequent Events," management of Positive Tomorrows has evaluated subsequent events through December 1, 2010, which is the date the financial statements were available to be issued.

See Independent Auditors' Report.