

# **Positive Tomorrows, Inc.**

## *Financial Statements*

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)



**POSITIVE TOMORROWS, INC.**

**FINANCIAL STATEMENTS**

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*Table of Contents*

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	<u>Page</u>
<u>Independent Auditors' Report</u> .....	1
<u>Financial Statements:</u>	
Statements of Financial Position.....	2
Statements of Activities .....	4
Statements of Functional Expenses .....	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9



## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of Positive Tomorrows, Inc. ("Positive Tomorrows") as of June 30, 2012 and 2011, 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, 2012 and 2011, 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  
January 17, 2013

**POSITIVE TOMORROWS, INC.****STATEMENTS OF FINANCIAL POSITION**

<i>June 30,</i>	<i>2012</i>	<i>2011</i>
<b>Assets</b>		
Current assets:		
Cash	\$ 186,643	313,752
Current promises to give, net of allowance	453,378	324,462
Current promise to give—building lease	49,877	47,946
Accounts receivable	-	6,690
Distributions receivable from OCCF	18,867	18,154
Investments, at fair value	99,984	99,254
Prepaid expenses	3,258	6,164
Total current assets	<u>812,007</u>	<u>816,422</u>
Property and equipment, at cost:		
Leasehold improvements	224,070	224,070
Vehicles	110,997	110,997
Furniture and equipment	86,067	84,332
Computer software	11,592	-
	<u>432,726</u>	<u>419,399</u>
Less accumulated depreciation	<u>(207,132)</u>	<u>(196,893)</u>
Net property and equipment	<u>225,594</u>	<u>222,506</u>
Other assets:		
Long-term promises to give, net of allowance and discount	152,565	232,415
Long-term promise to give—building lease, net of discount	10,564	58,206
Beneficial interest in assets held by others— restricted for endowment	<u>202,761</u>	<u>209,981</u>
Total other assets	<u>365,890</u>	<u>500,602</u>
Total assets	<u>\$ 1,403,491</u>	<u>1,539,530</u>

(Continued)

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

**POSITIVE TOMORROWS, INC.**

**STATEMENTS OF FINANCIAL POSITION, CONTINUED**

<i>June 30,</i>	<i>2012</i>	<i>2011</i>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 16,454	34,619
Compensated absences	20,628	16,754
Payroll liabilities	4,106	-
Total liabilities	<u>41,188</u>	<u>51,373</u>
Net assets:		
Unrestricted:		
Invested in property and equipment	225,594	222,506
Other unrestricted	644,829	742,324
	<u>870,423</u>	<u>964,830</u>
Temporarily restricted	281,899	313,346
Permanently restricted	209,981	209,981
Total net assets	<u>1,362,303</u>	<u>1,488,157</u>
Total liabilities and net assets	<u>\$ 1,403,491</u>	<u>1,539,530</u>

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

**POSITIVE TOMORROWS, INC.****STATEMENTS OF ACTIVITIES***Year Ended June 30, 2012*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public support and revenue</b>				
Contributions	\$ 595,634	297,808	-	893,442
Fundraising events, net of costs of direct benefits to donors	28,074	-	-	28,074
Investment return	12,041	-	-	12,041
In-kind donations	7,064	-	-	7,064
Release of restrictions	<u>329,255</u>	<u>(329,255)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>972,068</u>	<u>(31,447)</u>	<u>-</u>	<u>940,621</u>
<b>Expenses</b>				
Program services:				
School	554,419	-	-	554,419
Social services	<u>239,479</u>	<u>-</u>	<u>-</u>	<u>239,479</u>
Total program services	<u>793,898</u>	<u>-</u>	<u>-</u>	<u>793,898</u>
Supporting services:				
Administration and general	106,738	-	-	106,738
Fundraising	<u>165,839</u>	<u>-</u>	<u>-</u>	<u>165,839</u>
Total supporting services	<u>272,577</u>	<u>-</u>	<u>-</u>	<u>272,577</u>
Total expenses	<u>1,066,475</u>	<u>-</u>	<u>-</u>	<u>1,066,475</u>
Changes in net assets	<u>(94,407)</u>	<u>(31,447)</u>	<u>-</u>	<u>(125,854)</u>
Net assets at beginning of year	<u>964,830</u>	<u>313,346</u>	<u>209,981</u>	<u>1,488,157</u>
Net assets at end of year	<u>\$ 870,423</u>	<u>281,899</u>	<u>209,981</u>	<u>1,362,303</u>

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

**POSITIVE TOMORROWS, INC.****STATEMENTS OF ACTIVITIES, CONTINUED***Year Ended June 30, 2011*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public support and revenue</b>				
Contributions	\$ 557,664	243,225	-	800,889
Fundraising events, net of costs of direct benefits to donors	46,991	-	-	46,991
Investment return	45,587	-	-	45,587
In-kind donations	6,494	-	-	6,494
Release of restrictions	<u>249,741</u>	<u>(249,741)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>906,477</u>	<u>(6,516)</u>	<u>-</u>	<u>899,961</u>
<b>Expenses</b>				
Program services:				
School	444,045	-	-	444,045
Social services	<u>233,855</u>	<u>-</u>	<u>-</u>	<u>233,855</u>
Total program services	<u>677,900</u>	<u>-</u>	<u>-</u>	<u>677,900</u>
Supporting services:				
Administration and general	91,716	-	-	91,716
Fundraising	<u>142,765</u>	<u>-</u>	<u>-</u>	<u>142,765</u>
Total supporting services	<u>234,481</u>	<u>-</u>	<u>-</u>	<u>234,481</u>
Total expenses	<u>912,381</u>	<u>-</u>	<u>-</u>	<u>912,381</u>
Transfers	<u>(132,103)</u>	<u>-</u>	<u>132,103</u>	<u>-</u>
Changes in net assets	<u>(138,007)</u>	<u>(6,516)</u>	<u>132,103</u>	<u>(12,420)</u>
Net assets at beginning of year	<u>1,102,837</u>	<u>319,862</u>	<u>77,878</u>	<u>1,500,577</u>
Net assets at end of year	<u>\$ 964,830</u>	<u>313,346</u>	<u>209,981</u>	<u>1,488,157</u>

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

**POSITIVE TOMORROWS, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

*Year Ended June 30, 2012*

	Program Services			Supporting Services			Total Expenses
	School	Social Services	Total	General and Administration	Fundraising	Total	
Salaries and related expenses	\$ 360,054	172,276	532,330	77,718	94,646	172,364	704,694
Professional fees	25,367	20,647	46,014	11,282	8,934	20,216	66,230
Rent	23,682	14,541	38,223	4,835	6,922	11,757	49,980
Bad debts expense	-	-	-	-	13,889	13,889	13,889
Travel and transportation	6,124	6,119	12,243	22	27	49	12,292
Program services	46,659	-	46,659	-	-	-	46,659
Occupancy	22,159	9,406	31,565	3,049	3,472	6,521	38,086
Supplies	10,190	489	10,679	763	2,650	3,413	14,092
Insurance	10,458	4,074	14,532	1,164	1,940	3,104	17,636
Depreciation	20,257	-	20,257	-	-	-	20,257
Printing and publications	8,077	3,077	11,154	1,496	1,763	3,259	14,413
Equipment rental and maintenance	6,751	2,366	9,117	799	1,106	1,905	11,022
Telephone	5,342	2,081	7,423	611	991	1,602	9,025
Specific assistance to individuals	604	1,114	1,718	-	12	12	1,730
Miscellaneous expenses	1,731	750	2,481	83	249	332	2,813
Fundraising costs	1,833	714	2,547	204	27,250	27,454	30,001
Conferences and meetings	3,449	932	4,381	2,843	1,069	3,912	8,293
Postage	1,640	893	2,533	281	607	888	3,421
Dues and subscriptions	42	-	42	1,588	312	1,900	1,942
	<u>\$ 554,419</u>	<u>239,479</u>	<u>793,898</u>	<u>106,738</u>	<u>165,839</u>	<u>272,577</u>	<u>1,066,475</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.



**POSITIVE TOMORROWS, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES, CONTINUED**

*Year Ended June 30, 2011*

	Program Services			Supporting Services			Total Expenses
	School	Social Services	Total	General and Administration	Fundraising	Total	
Salaries and related expenses	\$ 262,132	164,947	427,079	62,317	86,598	148,915	575,994
Professional fees	19,032	27,485	46,517	7,141	10,065	17,206	63,723
Rent	23,682	14,541	38,223	4,835	6,922	11,757	49,980
Bad debts expense	-	-	-	1,084	13,964	15,048	15,048
Travel and transportation	5,643	4,717	10,360	5	-	5	10,365
Program services	41,496	19	41,515	-	-	-	41,515
Occupancy	20,076	8,238	28,314	6,633	3,435	10,068	38,382
Supplies	18,362	1,113	19,475	818	1,040	1,858	21,333
Insurance	10,121	3,943	14,064	1,126	1,877	3,003	17,067
Depreciation	17,880	-	17,880	-	-	-	17,880
Printing and publications	8,856	3,163	12,019	986	2,313	3,299	15,318
Equipment rental and maintenance	3,649	1,260	4,909	497	600	1,097	6,006
Telephone	5,828	2,323	8,151	381	1,082	1,463	9,614
Specific assistance to individuals	2,996	714	3,710	-	-	-	3,710
Miscellaneous expenses	387	-	387	207	187	394	781
Fundraising costs	-	-	-	-	11,745	11,745	11,745
Conferences and meetings	1,599	496	2,095	2,528	973	3,501	5,596
Postage	2,271	871	3,142	309	1,828	2,137	5,279
Dues and subscriptions	35	25	60	2,849	136	2,985	3,045
	<u>\$ 444,045</u>	<u>233,855</u>	<u>677,900</u>	<u>91,716</u>	<u>142,765</u>	<u>234,481</u>	<u>912,381</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

**POSITIVE TOMORROWS, INC.****STATEMENTS OF CASH FLOWS****Increase (Decrease) in Cash and Cash Equivalents**

<i>Years Ended June 30,</i>	<i>2012</i>	<i>2011</i>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ (125,854)	(12,420)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	20,257	17,880
Bad debts expense	13,889	15,048
Unrealized loss (gain) in assets held by OCCF	7,220	(28,042)
Noncash donated facilities use	45,711	43,485
(Increase) decrease in operating assets:		
Accounts receivable	6,690	(2,879)
Promises to give	(62,955)	175,184
Prepaid expenses	2,906	(359)
Distributions receivable from OCCF	(713)	(511)
Increase (decrease) in operating liabilities:		
Accounts payable	(18,165)	27,718
Compensated absences expense	3,874	(1,672)
Payroll liabilities	4,106	-
Net cash (used in) provided by operating activities	<u>(103,034)</u>	<u>233,432</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment, net	(23,345)	(31,517)
Reinvestment of interest income	<u>(730)</u>	<u>(682)</u>
Net cash used in investing activities	<u>(24,075)</u>	<u>(32,199)</u>
<b>Net (decrease) increase in cash</b>	(127,109)	201,233
Cash at beginning of year	<u>313,752</u>	<u>112,519</u>
Cash at end of year	<u>\$ 186,643</u>	<u>313,752</u>

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

# POSITIVE TOMORROWS, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

#### **Nature of Operations**

Positive Tomorrows, 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.

#### **Basis of Presentation**

Financial statement presentation follows the recommendations of the *Accounting Standards Codification* (ASC) Topic 958, “Not-for-Profit Entities.” Under those provisions, net assets and revenues, and 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.

See Independent Auditors’ Report.

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

**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.

**Statements of Cash Flows**

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 (discounted for the present value of long-term pledges) 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.

See Independent Auditors' Report.

(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 no donated services in 2012 or 2011.

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.

**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.

See Independent Auditors' Report.

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

**Income Taxes, Continued**

Positive Tomorrows evaluates and accounts for its uncertain tax positions in accordance with ASC Topic 740, "Income Taxes," 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, 2012 and 2011, 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.

Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, Positive Tomorrows has no open examinations with either the Internal Revenue Service or the Oklahoma Tax Commission.

**Compensated Absences**

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

**Recent Accounting Pronouncement**

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update No. 2010-06, "Improving Disclosures about Fair Value Measurements" (ASU 2010-06), which amends ASC Topic 820, "Fair Value Measurements and Disclosures" (ASC 820), to require a number of additional disclosures regarding fair value measurements. Certain of the additional disclosures were required to be and were adopted by Positive Tomorrows on July 1, 2010. ASU 2010-06 requires additional information in the reconciliation of recurring Level 3 measurements about purchases, issuances, sales, settlements, and transfers on a gross basis. This update was fully adopted by Positive Tomorrows on July 1, 2011, which did not have an effect on Positive Tomorrows' financial position or the results of its operations.

**Date of Management's Review of Subsequent Events**

Management has evaluated subsequent events through January 17, 2013, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

See Independent Auditors' Report.

**POSITIVE TOMORROWS, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) FUNDRAISING EVENTS**

One silent auction and various small sales were 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, 2012 and 2011, investments consisted of a certificate of deposit with a fair value of \$99,984 and \$99,254, respectively. The certificate of deposit matures in October 2012 and has a nominal interest rate.

**(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, 2012 and 2011, the total value of this fund was \$386,233 and \$399,389, respectively. Distributions are calculated at 5% of the fair value of the fund, averaged over 12 quarters to smooth out market fluctuations. During 2012 and 2011, distributions from the fund were \$18,867 and \$18,154, 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, 2012 and 2011, included in the designated endowment fund is a beneficial interest in assets held by others of \$202,761 and \$209,981, 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, 2012 and 2011, the remaining balances of the designated endowment fund at OCCF of \$183,472 and \$189,408, 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, 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:

	2012		2011	
	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	\$ 689	0.34%	1,848	0.88%
Securities:				
Equity funds	117,500	57.95%	130,083	61.95%
Fixed-income funds	<u>84,572</u>	<u>41.71%</u>	<u>78,050</u>	<u>37.17%</u>
	<u>\$ 202,761</u>	<u>100.00%</u>	<u>209,981</u>	<u>100.00%</u>

The assets held by OCCF have been designated as endowment funds by Positive Tomorrows. As of June 30, 2011, management and the Board of Directors determined that amounts previously shown as unrestricted-designated for endowments should be transferred to and reported as permanently restricted endowments. This determination resulted in a transfer of \$132,103 from Board-designated unrestricted net assets to permanently restricted net assets in 2011, as detailed below:

	<u>2011</u>
Board-designated at beginning of year	\$ 104,061
Change in fair value of investments	28,042
Transfers	<u>(132,103)</u>
Board-designated at end of year	<u>-</u>
Permanently restricted at beginning of year	77,878
Transfers	<u>132,103</u>
Permanently restricted at end of year	<u>209,981</u>
	<u>\$ 209,981</u>

Positive Tomorrows cannot access any of the monies at OCCF.

See Independent Auditors' Report.



**POSITIVE TOMORROWS, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(5) PROMISES TO GIVE**

Unconditional promises to give at June 30 consisted of:

	<u>2012</u>	<u>2011</u>
Grant receivable	\$ 221,458	175,225
Multi-year pledge	426,670	451,245
Less allowance	(24,000)	(36,008)
Less discount	<u>(18,185)</u>	<u>(33,585)</u>
	<u>605,943</u>	<u>556,877</u>
Current portion:		
Grant receivable	221,458	175,225
Multi-year pledge	250,920	174,895
Less allowance	<u>(19,000)</u>	<u>(25,658)</u>
Total current portion	<u>453,378</u>	<u>324,462</u>
Long-term portion (1 to 5 years)	<u>\$ 152,565</u>	<u>232,415</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%.

**(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, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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

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

	<u>2012</u>	<u>2011</u>
Receivable in less than 1 year	\$ 49,980	49,980
Receivable in 1 to 5 years	<u>12,495</u>	<u>62,475</u>
Total unconditional promise to give— building lease	62,475	112,455
Less discounts to net present value	<u>(2,034)</u>	<u>(6,303)</u>
Net unconditional promise to give— building lease	60,441	106,152
Less current portion	<u>(49,877)</u>	<u>(47,946)</u>
Long-term portion	<u>\$ 10,564</u>	<u>58,206</u>

**(7) INVESTMENT RETURN**

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

	<u>2012</u>	<u>2011</u>
Investment distribution from OCCF	\$ 18,867	18,154
Unrealized (loss) gain in assets held by OCCF	(7,220)	28,042
Other investment gain (loss)	<u>394</u>	<u>(609)</u>
Investment return	<u>\$ 12,041</u>	<u>45,587</u>

See Independent Auditors' Report.

**POSITIVE TOMORROWS, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(8) RESTRICTED NET ASSETS**

As of June 30, 2012 and 2011, permanently restricted net assets of \$209,981 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, temporarily restricted net assets were available for the following time and/or purpose restrictions:

	<u>2012</u>
Time and/or purpose restriction:	
Education services in 2013	\$ 135,458
Family support services in 2013	86,000
Building lease to be released in fiscal year 2013	49,877
Building lease to be released in fiscal year 2014	<u>10,564</u>
Total temporarily restricted net assets	<u>\$ 281,899</u>
	<u>2011</u>
Time and/or purpose restriction:	
Education services in 2012	\$ 118,318
Family support services in 2012	78,876
Fundraising	10,000
Building lease to be released in fiscal year 2012	47,946
Building lease to be released in fiscal year 2013	<u>58,206</u>
Total temporarily restricted net assets	<u>\$ 313,346</u>

See Independent Auditors' Report.

**POSITIVE TOMORROWS, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(8) RESTRICTED NET ASSETS, CONTINUED**

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

	<u>2012</u>	<u>2011</u>
Time and/or purpose restriction accomplished:		
Education	\$ 157,754	124,379
Family support services	88,876	78,876
Fundraising	30,000	-
Salary expenses	6,914	3,000
Building lease	<u>45,711</u>	<u>43,486</u>
Total restrictions released	<u>\$ 329,255</u>	<u>249,741</u>

**(9) FAIR VALUE MEASUREMENTS**

ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs consist of unobservable inputs which are used when observable inputs are unavailable and reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Positive Tomorrows uses appropriate valuation methods based on the available inputs to measure the fair value of its assets and liabilities.

See Independent Auditors' Report.

(9) FAIR VALUE MEASUREMENTS, CONTINUED

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In estimating fair value, Positive Tomorrows utilizes valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset. Fair values may not represent actual values of assets that could have been realized on the measurement date or that will be realized in the future. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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

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

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

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—Restricted for Endowment

Beneficial interest in assets held by others—restricted for endowment 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, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(9) FAIR VALUE MEASUREMENTS, CONTINUED**

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

	Measured at Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>2012</u>				
Financial assets:				
Investments	\$ 99,984	-	99,984	-
Long-term promises to give, net	152,565	-	-	152,565
Long-term promise to give— building lease, net	10,564	-	-	10,564
Beneficial interest in assets held by others—restricted for endowment	<u>202,761</u>	<u>-</u>	<u>-</u>	<u>202,761</u>
	<u>\$ 465,874</u>	<u>-</u>	<u>99,984</u>	<u>365,890</u>
<u>2011</u>				
Financial assets:				
Investments	\$ 99,254	-	99,254	-
Long-term promises to give, net	232,415	-	-	232,415
Long-term promise to give— building lease, net	58,206	-	-	58,206
Beneficial interest in assets held by others—restricted for endowment	<u>209,981</u>	<u>-</u>	<u>-</u>	<u>209,981</u>
	<u>\$ 599,856</u>	<u>-</u>	<u>99,254</u>	<u>500,602</u>

See Independent Auditors' Report.

**POSITIVE TOMORROWS, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(9) FAIR VALUE MEASUREMENTS, 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, Net	Long-Term Promise to Give—Building Lease, Net	Beneficial Interest in Assets Held by Others— Restricted for Endowment	<u>Total</u>
<u>2012</u>				
Balance at beginning of year	\$ 232,415	58,206	209,981	500,602
Realized and unrealized changes in value	-	-	(7,220)	(7,220)
Pledges	16,750	-	-	16,750
Settlements/Payments received	<u>(96,600)</u>	<u>(47,642)</u>	<u>-</u>	<u>(144,242)</u>
Balance at end of year	<u>\$ 152,565</u>	<u>10,564</u>	<u>202,761</u>	<u>365,890</u>
<u>2011</u>				
Balance at beginning of year	\$ 315,025	105,961	181,939	602,925
Realized and unrealized changes in value	-	-	28,042	28,042
Settlements/Payments received	<u>(82,610)</u>	<u>(47,755)</u>	<u>-</u>	<u>(130,365)</u>
Balance at end of year	<u>\$ 232,415</u>	<u>58,206</u>	<u>209,981</u>	<u>500,602</u>

See Independent Auditors' Report.

**POSITIVE TOMORROWS, INC.**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(10) OPERATING LEASE**

In 2010, Positive Tomorrows entered into a 5-year operating lease agreement for the lease of office equipment. Lease expense for the year ended June 30, 2012, was \$5,713. Future minimum lease payments are:

<u>Year Ending June 30,</u>		
2013	\$	5,713
2014		5,713
2015		5,713
2016		<u>1,429</u>
	\$	<u>18,568</u>

**(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 6% of the employee's salary. For the 2012 and 2011 fiscal years, Positive Tomorrows contributed \$5,812 and \$5,842, respectively, to the plan, which is included in salaries and related expenses on the statements of functional expenses.

**(13) GRANT AGREEMENT—CITY OF OKLAHOMA CITY**

During 2012, Positive Tomorrows entered into an agreement with the City of Oklahoma City to utilize grant funds from the Social Services Grant (the "Grant") to support staff education expenses. Positive Tomorrows received \$5,000 from the Grant for the year ended June 30, 2012. There were no items of non-compliance with the Grant noted during the audit.

Tomorrows had no concentrations of credit risk with financial institutions.

See Independent Auditors' Report.



(14) **CONCENTRATIONS OF CREDIT RISK, CONTINUED**

**Financial Institutions**

As of June 30, 2012 and 2011, Positive Tomorrows had no concentrations of credit risk with financial institutions.

**Major Contributors**

Positive Tomorrows received contributions from three donors totaling approximately \$394,000 and \$360,000 in 2012 and 2011, respectively. These contributions represented approximately 46% and 45% of total contribution revenue in 2012 and 2011, respectively. The above amounts include total contributions in 2012 and 2011 from United Way of Oklahoma City of \$214,694 and \$200,225, respectively, which represented approximately 25% of total contribution revenue for both years.

Promises to give totaling approximately \$554,000 and \$525,000 were due from two donors at June 30, 2012 and 2011, respectively. These receivables represented approximately 91% and 94% of total promises to give at June 30, 2012 and 2011, respectively. The above amounts include receivables from United Way of Oklahoma City as of June 30, 2012 and 2011, of \$214,694 and \$175,225, respectively, which represented approximately 35% and 31%, respectively, of total promises to give.

(15) **COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants and Contracts**

Positive Tomorrows receives grant and contract funds from private and government agencies. Governmental funds are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions of the contracts and/or grants. Such an audit could result in a liability of Positive Tomorrows to reimburse the granting authority for monies not spent in compliance with contractual agreements. Any liability which may arise as a result of these audits is not believed by management to be material. As of June 30, 2012, there were no grantor audits in progress or requests to refund monies.

**Litigation**

The nature of Positive Tomorrows' activities may result in claims and litigation alleging that Positive Tomorrows is liable for damages arising from the conduct of its employees or others. In the opinion of management, there are no pending legal proceedings that would have a material effect on Positive Tomorrows' financial position or the results of its operations.

**Risk Management**

Positive Tomorrows is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. Positive Tomorrows maintains insurance coverage for these risks.

See Independent Auditors' Report.