BUSINESSES UNITED IN INVESTING,
LENDING AND DEVELOPMENT
(A California Nonprofit Public Benefit Corporation)

***

FINANCIAL STATEMENTS

Year Ended June 30, 2011 with Comparative Totals
for the Year Ended June 30, 2010

BUSINESSES UNITED IN INVESTING, LENDING AND DEVELOPMENT
(A California Nonprofit Public Benefit Corporation)

TABLE OF CONTENTS

Thomas C. Bondi
David P. Johnson
Lawrence S. Kuechler
Roberto M. Maragoni
EMERITUS
Alexander W. Berger (1916-2005)
Griffith R. Lewis

BERGER LEWIS
ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Anthony M. Matusich
Frank A. Minuti, Jr.
Daniel C. Moors
Randy G. Peterson
Todd W. Robinson
David R. Sheets
Robert W. Smiley

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Businesses United in Investing, Lending and Development
(A California Nonprofit Public Benefit Corporation)
Redwood City, California

We have audited the accompanying statement of financial position of Businesses United in Investing, Lending and Development (a California nonprofit public benefit corporation) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Businesses United in Investing, Lending and Development's financial statements for the year ended June 30, 2010 and, in our report dated October 7, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Businesses United in Investing, Lending and Development as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
October 21, 2011

55 ALMADEN BLVD. SUITE 600 SAN JOSE, CA 95113-1605 (408) 494-1200 (P) (408) 279-8186 (F)

BUSINESSES UNITED IN INVESTING, LENDING AND DEVELOPMENT
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

June 30, 2011 with Comparative Totals as of June 30, 2010

ASSETS

	2011	2010
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 1,085,888	$ 795,047
Accounts Receivable	1,902	1,439
Current Portion of Grants Receivable and Promises to Give	749,200	307,882
Inventory	16,016	16,016
Prepaid Expenses	4,318	14,030
Total Current Assets	1,857,324	1,134,414
PROPERTY AND EQUIPMENT, At Cost:		
Property and Equipment	196,252	187,445
Accumulated Depreciation	(169,361)	(142,573)
Total Property and Equipment, Net	26,891	44,872
OTHER ASSETS:		
Cash Held for Endowment	192,323	186,447
Grants Receivable and Promises to Give, Net of Current Portion	243,964	486,714
Deposits	28,562	17,933
Total Other Assets	464,849	691,094
TOTAL ASSETS	$ 2,349,064	$ 1,870,380

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	$ 78,043	$ 50,775
Accrued Payroll and Related Benefits	3,056	2,255
Accrued Vacation	120,268	73,668
Total Current Liabilities	201,367	126,698
NET ASSETS:		
Unrestricted Net Assets:		
Undesignated	645,128	297,034
Board Designated for Endowment	192,323	186,447
Total Unrestricted Net Assets	837,451	483,481
Temporarily Restricted Net Assets	1,310,246	1,260,201
Total Net Assets	2,147,697	1,743,682
TOTAL LIABILITIES AND NET ASSETS	$ 2,349,064	$ 1,870,380

The Accompanying Notes are an Integral Part of these Financial Statements.

BUSINESSES UNITED IN INVESTING, LENDING AND DEVELOPMENT
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011 with Comparative Totals for the Year Ended June 30, 2010

	2011			2010
	Unrestricted	Temporarily Restricted	TOTAL	TOTAL
SUPPORT AND REVENUE:				
Grants and Contributions	$ 751,421	$ 3,278,389	$ 4,029,810	$ 2,485,868
Contributions In-Kind	112,703	-	112,703	197,478
Special Events (Includes In-Kind Income of $33,011 and $0)	788,634	-	788,634	20,730
Less: Special Event Costs (Includes In-Kind Expenses of $33,011 and $0)	(158,768)	-	(158,768)	(12,020)
Interest Income	1,896	-	1,896	1,868
Incubator Income	-	7,162	7,162	3,646
Program Service Fees	558	-	558	3,840
Net Realized Gain (Loss) on Investments	364	-	364	(144)
Total Support and Revenue	1,496,808	3,285,551	4,782,359	2,701,266
Net Assets Released from Restrictions	3,235,506	(3,235,506)	-	-
Total Support, Revenue and Net Assets Released from Restrictions	4,732,314	50,045	4,782,359	2,701,266
EXPENSES:				
Program Services	3,297,768	-	3,297,768	2,626,021
Supporting Services:				
Management and General	303,744	-	303,744	228,602
Fundraising (See Note 2)	776,832	-	776,832	415,984
Total Supporting Services	1,080,576	-	1,080,576	644,586
Total Expenses	4,378,344	-	4,378,344	3,270,607
CHANGE IN NET ASSETS	353,970	50,045	404,015	(569,341)
NET ASSETS, Beginning of Year	483,481	1,260,201	1,743,682	2,313,023
NET ASSETS, End of Year	$ 837,451	$ 1,310,246	$ 2,147,697	$ 1,743,682

The Accompanying Notes are an Integral Part of these Financial Statements.

BUSINESSES UNITED IN INVESTING, LENDING AND DEVELOPMENT
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2011 with Comparative Totals for the Year Ended June 30, 2010

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTALS	
		MGMT AND GENERAL	FUNDRAISING	TOTAL	2011	2010
EXPENSES:						
Salaries	$ 1,827,550	$ 109,957	$ 460,520	$ 570,477	$ 2,398,027	$ 1,679,679
Payroll Taxes	146,593	8,768	36,757	45,525	192,118	137,780
Employee Benefits	126,582	7,764	32,280	40,044	166,626	133,007
Total Salaries and Related Expenses	2,100,725	126,489	529,557	656,046	2,756,771	1,950,466
Professional Fees	442,702	67,111	111,831	178,942	621,644	488,352
Occupancy, Including In-Kind	274,033	8,339	20,416	28,755	302,788	246,008
Travel	185,936	8,712	11,463	20,175	206,111	121,812
Conferences, Conventions and Meetings	75,129	5,779	5,283	11,062	86,191	49,295
Supplies, Including In-Kind	46,576	16,418	3,170	19,588	66,164	60,272
Telephone	46,950	4,917	9,041	13,958	60,908	37,245
Awards	44,856	-	-	-	44,856	33,954
Printing and Publication	14,331	5,063	23,987	29,050	43,381	24,488
Accounting and Audit Fees	-	38,238	-	38,238	38,238	35,628
Office Equipment and Software	12,476	6,538	10,791	17,329	29,805	22,107
Donated Professional Fees	-	5,352	20,000	25,352	25,352	130,203
Other Operating Expenses	937	5,268	8,306	13,574	14,511	4,719
Insurance	8,635	530	2,270	2,800	11,435	8,865
Advertising	5,000	-	5,000	5,000	10,000	-
Postage and Shipping	2,696	1,134	2,760	3,894	6,590	9,579
Dues and Subscriptions	605	455	4,929	5,384	5,989	1,823
Repairs and Maintenance	4,206	860	428	1,288	5,494	957
Training	2,821	639	1,996	2,635	5,456	3,885
License Fees	3,017	825	-	825	3,842	2,063
Outside Services	2,349	141	600	741	3,090	2,885
Web Design and Hosting	1,529	99	1,312	1,411	2,940	542
Equipment Rental	-	-	-	-	-	2,338
Total Expenses Before Depreciation	3,275,509	302,907	773,140	1,076,047	4,351,556	3,237,486
Depreciation	22,259	837	3,692	4,529	26,788	33,121
Total Functional Expenses	$ 3,297,768	$ 303,744	$ 776,832	$ 1,080,576	$ 4,378,344	$ 3,270,607
Percentage of Total (See Note 3)	75.4 %	6.9 %	17.7 %	24.6 %	100.0 %	

The Accompanying Notes are an Integral Part of these Financial Statements.

BUSINESSES UNITED IN INVESTING, LENDING AND DEVELOPMENT
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS

Year Ended June 30, 2011 with Comparative Totals for the Year Ended June 30, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 404,015	$ (569,341)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	26,788	33,121
Donated Furniture and Equipment	-	(1,500)
Donated Stocks	(26,787)	(2,075)
Net Realized (Gain) Loss on Investments	(364)	144
Loss on Disposal of Equipment	-	-
(Increase) Decrease in Assets:		
Accounts Receivable	(463)	1,030
Grants Receivable and Promises to Give	(198,568)	808,933
Prepaid Expenses	9,713	(5,869)
Deposits	(10,629)	(8,895)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	27,268	11,808
Accrued Payroll and Related Benefits	801	(70,854)
Accrued Vacation	46,600	3,644
Net Cash Provided by Operating Activities	278,374	200,146
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in Cash Held for Endowment	(5,876)	(11,881)
Purchase of Property and Equipment	(8,808)	(34,006)
Proceeds from Sale of Investments	27,151	1,930
Net Cash Provided (Used) by Investing Activities	12,467	(43,957)
NET INCREASE IN CASH AND CASH EQUIVALENTS	290,841	156,189
CASH AND CASH EQUIVALENTS, Beginning of Year	795,047	638,858
CASH AND CASH EQUIVALENTS, End of Year	$ 1,085,888	$ 795,047

The Accompanying Notes are an Integral Part of these Financial Statements.

NOTE 1 - ORGANIZATION:

Businesses United in Investing, Lending and Development ("BUILD" or the "Organization"), is a tax-exempt, nonprofit organization founded in 1999 for the purpose of providing real-world entrepreneurial experience that empowers youth from under-resourced communities to excel in education, lead in their communities, and succeed professionally. By helping students start their own small businesses – while having them commit to improving their academic performance – students can build the skills necessary to become successful pupils, adults, and community leaders.

BUILD was incorporated in 2001 in California and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. BUILD has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to the Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 - EXPANSION AND DEVELOPMENT COSTS:

Beginning in 1999 as an elective in one school in East Palo Alto, California, BUILD program is now running in a total of 13 schools in the San Francisco Peninsula, Oakland, and Washington DC. In September of 2011, BUILD launched in 4 schools in Boston, MA. During the year ended June 30, 2011, the organization established the foundation for the Boston Launch by recruiting Advisory Board members, hiring staff and developing strategic relationships with local funders and schools.

As a result of this geographical expansion, BUILD has focused on expanding its' fund raising capacity with a resulting increase in development costs. The Organization is putting into place a national development team with the capacity to keep pace with its growth and ensure financial sustainability over the long term for each site and the Organization as a whole.

NOTE 3 - PROGRAM SERVICES:

BUILD's four-year, in-school and after-school programs are as follows:

<u>Entrepreneurs 1 (E1) - Freshman Year</u> - Planning a business. Freshman students participate in a rigorous, five-credit elective for the entire academic year. Students learn the tenets of time management, goal-setting and professional communication etiquette. In teams of 3-5 members, students develop comprehensive 20-30 page business plans based on ideas they create. The year culminates with participation in BUILD's Youth Business Plan Competition held at Stanford's Graduate School of Business on the Peninsula, the University of Berkeley Haas School of Business in the East Bay and Georgetown Washington University School of Business in Washington D.C.

<u>Entrepreneurs 2 (E2) - Sophomore Year</u> - Running a business. Sophomores meet after school for 3-6 hours per week, for the entire academic year. In BUILD's Youth Business and Academic Incubator, they begin to operate their small businesses while learning negotiation, business ethics, venture capital, and more. Teams are assigned Venture Capital Advisors, who act on BUILD's behalf to finance student businesses with funding from BUILD. During the year, students have one-on-one meetings with BUILD's Academic Program Manager and academic mentors to maintain standards for college admissions.

NOTE 3 - PROGRAM SERVICES (Continued):

Entrepreneurs 3 (E3) - Junior Year - Preparing for college. Juniors meet after school and are trained on advanced topics relating to college selection. Students continue to operate their businesses, but focus more on getting into the college of their choice. In preparation for college, students are trained on essay writing, interviewing, financial aid, and standardized testing. To assist students in the college selection process, BUILD staff members accompany students on college tours in various parts of the country.

Entrepreneurs 4 (E4) - Senior Year - Selecting and applying to college. Seniors work with BUILD mentors and BUILD’s College Counselors to identify their schools, write admissions essays, prepare college applications, and package their BUILD experience into a portfolio. Students continue to hone their interviewing and presentation skills, in preparation for communicating with college admissions officers. When possible, BUILD assists in arranging interviews with local BUILD alumni. BUILD staff provide students’ parents with information about scholarships and financial aid resources through workshops and meetings.

Record of Success - BUILD's greatest successes are the academic and social advancement its current 800+ students are making every day.

Five BUILD students have been awarded the National Foundation for Teaching Entrepreneurship (NFTE) National Youth Entrepreneur of the Year award. Two BUILD students have been awarded the Merrill Lynch Growing Up CEO award. Four BUILD students have been the recipients of the Gates Millennium four-year college scholarship. The Organization's students have been admitted to over 40 colleges and universities, including New York, Brown, Stanford, Louisiana State and Hampton Universities, as well as University of California at Berkeley, Davis, Los Angeles, and Merced. Three BUILD instructors have been named NFTE’s Entrepreneurship Teacher of the Year. BUILD has been nominated for several awards, including FAST Company Social Capitalist Award (finalist) and the Manhattan Institute Social Entrepreneurship Award. BUILD has been featured in the media, including CNN, PBS, NPR, San Francisco Chronicle, San Jose Mercury News, Bay Area Business Woman News, and Palo Alto Weekly News. BUILD’s CEO was recently awarded the Ashoka Fellowship and was honored with KQED and Wells Fargo’s 2011 Women’s History Month Local Heroes Award.

BUILD’s success will continue to grow as the Organization continues to serve more students as well as deepen its impact in 2012.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The financial statements of BUILD have been prepared on the accrual basis of accounting.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation - The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with accounting principles generally accepted in the United States of America, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, plus any net assets designated by the Board for specific purposes.
>
> Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year-end of the current reporting period.
>
> Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments.

Comparative Financial Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Accounts and Grants Receivable - The Organization considers all accounts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Promises to Give - Unconditional promises to give are recognized as contribution support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fair Value Measurements - Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

> Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
>
> Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
>
> Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Inventory - Inventory consists of donated goods held for sale. Goods donated to the Organization are valued at their estimated fair market value and recognized as support in the statement of activities. Goods remaining in ending inventory are also recorded at their estimated fair market value.

Property and Equipment - Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 5 years. Depreciation is charged to the activity benefiting from the use of the property or equipment. Depreciation expense for the years ended June 30, 2011 and 2010 totaled $26,788 and $33,121, respectively.

Accrued Vacation - Accrued vacation represents vacation earned, but not taken as of June 30, 2011 and 2010. The accrued vacation balance as of June 30, 2011 and 2010 was $120,268 and $73,668, respectively.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue Recognition - The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

Contributions - Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Contributions In-Kind - Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the financial statements the estimated value of these services is disclosed in Note 9.

Allocation of Functional Expenses - Directly identifiable expenses are charged to programs and supporting services. Indirect salary expense allocation is based on individual employee estimated time spent by function or time sheets. Other indirect costs are based on number of students or space utilized.

Income Taxes - Businesses United in Investing, Lending and Development is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under various state codes and statues of California, Massachusetts, Maryland, Virginia, New York, Pennsylvania and Washington D.C. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Advertising - The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended June 30, 2011 and 2010 was $10,000 and $0, respectively.

Reclassifications - Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent Events - Management of the Organization has evaluated events and transactions subsequent to June 30, 2011 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2011. Subsequent events have been evaluated through the date the financial statements became available to be issued, October 21, 2011. The entity has not evaluated subsequent events after October 21, 2011.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Uncertainty in Taxes - Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Agency in its federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination.

The Organization's federal returns for the years ended June 30, 2010, 2009 and 2008 could be subject to examination by federal taxing authorities, generally for 3 years after they are filed. The Agency's state returns for the years ended June 30, 2010, 2009, 2008 and 2007 could be subject to examination by state taxing authorities, generally for 4 years after they are filed.

NOTE 5 - GRANTS RECEIVABLE AND PROMISES TO GIVE:

Grants receivable and promises to give consist of unconditional promises to give by several donors. The Organization's management has estimated that the following amounts will be collected within the 3-year period after June 30, 2011. The Organization records pledges expected to be collected in more than one year at the present value of the assets to be received in the future. The discount rates used as of June 30, 2011 ranged from 1.3% to 2.2%.

Grants receivable and promises to give as of June 30, consisted of the following:

	2011	2010
Total Grants Receivable and Promises to Give	$ 1,002,984	$ 809,498
Discounts to Net Present Value	(9,820)	(14,902)
Net Grants Receivable and Promises to Give	993,164	794,596
Current Portion of Grants Receivable and Promises to Give	(749,200)	(307,882)
Noncurrent Portion of Grants Receivable and Promises to Give	$ 243,964	$ 486,714

NOTE 6 - LINE OF CREDIT:

The Organization has a $500,000 line of credit with Wells Fargo Bank. The line of credit is secured by the Organization's personal and real property and bears interest at prime rate plus 1.50% per annum (3.25% at June 30, 2011). It is available until September 1, 2012. The amount available under this line of credit at June 30, 2011 was $500,000. As of June 30, 2011 and 2010, no amounts were outstanding.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS:

The Organization's temporarily restricted net assets as of June 30, consisted of the following:

	2011	2010
General Support for Future Period	$ 546,264	$ 444,446
Peninsula Programs (Also Time Restricted for Future Periods)	338,396	347,488
Boston	274,062	66,513
Alumni Support	35,261	59,482
Monterey Programs	33,100	33,100
Washington D.C. Programs	30,000	177,172
E1 Program Across All Sites	29,218	-
Oakland Programs	12,845	40,000
Oakland Expansion (Also Time Restricted for Future Periods)	7,500	-
Lazier Memorial	2,000	20,000
Pilot Program (Peninsula Site)	1,000	-
Student College Tours	600	-
Headquarters	-	16,000
California Sites	-	56,000
Total Temporarily Restricted Net Assets	$ 1,310,246	$ 1,260,201

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or the occurrence of other events specified by donors during the year ended June 30, as follows:

	2011
Contributions Released from Time Restrictions	$ 1,353,248
Peninsula Programs	696,140
Washington D.C. Programs	304,771
California Sites	193,600
Oakland Expansion	192,250
Oakland Programs	185,310
Boston	116,090
Program Database Project	75,000
Fundraising	50,000
Student Programs	24,222
Endowment	20,000
Headquarters	16,000
Lazier Memorial	8,000
Student College Tours	550
Student Launch Camps	325
Total Net Assets Released from Restrictions	$ 3,235,506

NOTE 9 - CONTRIBUTIONS IN-KIND:

The estimated fair value of donated supplies, equipment, expert services and facilities are recorded as contributions. During fiscal years ended June 30, 2011 and 2010, the following in-kind contributions were received by the Organization:

	2011	2010
Professional Services	$ 69,452	$ 130,203
Supplies and Minor Equipment	8,873	11,490
Facilities	34,378	54,285
Furniture	-	1,500
In-Kind Contributions for Operations	112,703	197,478
Special Event Supplies and Auction Items	33,011	-
Total Contributions In-Kind	$ 145,714	$ 197,478

During the years ended June 30, 2011 and 2010, the Organization also received donated services from volunteers that do not require specific expertise but which are nonetheless central to the Organization's operations. During the years ended June 30, 2011 and 2010, mentors dedicated approximately 12,968 and 12,097 hours to tutoring services. The estimated value of tutoring services based on the nature of the service and the amount of time donated is estimated to be approximately $303,711 and $252,222, respectively.

NOTE 10 - BOARD DESIGNATED ENDOWMENT:

As of June 30, 2011, the Board of Directors had designated $192,323 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Organization policy is to build the endowment and only to pay out for William Lazier Scholarships each year out of its board designated endowment. Annual, additional funds are deposited into the account to offset these scholarship payments to ensure the Organization protects and grows the principle investment. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide modest returns on investment with the goal of capital preservation.

NOTE 10 - BOARD DESIGNATED ENDOWMENT (Continued):

To achieve that objective, the Organization has adopted an investment policy that is focused on capital preservation, which protects the principle investment and grows it at a modest rate with little to no risk of loss. Endowment assets are invested in a money market account. The Organization's Finance Committee will review the investment strategy and make a recommendation to the Board of Directors. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 1% to 3% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment net assets for the year ended June 30, 2011 consisted of the following:

Board Designated Endowment Net Assets, Beginning of Year	$ 186,447
Contributions	10,000
Investment Income	26
Investment Fees	(150)
Amount Appropriated for Expenditure	(4,000)
Board Designated Endowment Net Assets, End of Year	$ 192,323

NOTE 11 - OPERATING LEASE COMMITMENTS:

The Organization conducts its operations from facilities leased under various non-cancelable operating and month-to-month leases. Rent expense for these facilities for the years ended June 30, 2011 and 2010 was $302,788 and $246,008, respectively.

Future minimum lease payments under operating leases are as follows:

Year Ending June 30,	Amount
2012	$ 260,216
2013	213,295
2014	17,520
Total Future Minimum Lease Payments	$ 491,031