

**LEARNING LEADERS, INC.**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2010**

**LEARNING LEADERS, INC.**

**TABLE OF CONTENTS**

**Independent Auditor's Report**

**Exhibit**

**A - Balance Sheet**

**B - Statement of Activities**

**C - Statement of Functional Expenses**

**D - Statement of Cash Flows**

**Notes to Financial Statements**



## Independent Auditor's Report

### Board of Trustees Learning Leaders, Inc.

We have audited the accompanying balance sheet of Learning Leaders, Inc. as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Learning Leaders, Inc.'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 Learning Leaders, Inc.'s 2009 financial statements and, in our report dated January 5, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Learning Leaders, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

*Loeb + Troper LLP*

December 16, 2010

## LEARNING LEADERS, INC.

## BALANCE SHEET

JUNE 30, 2010

(With Summarized Financial Information for June 30, 2009)

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 175,169	\$ 253,386
Investments (Note 3)	4,728,951	4,941,721
Contributions and grants receivable (Note 4)	1,163,165	609,965
Prepaid expenses and security deposits	242,058	269,789
Fixed assets - net (Note 5)	<u>272,074</u>	<u>288,929</u>
Total assets	<u>\$ 6,581,417</u>	<u>\$ 6,363,790</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 80,600	\$ 68,433
Accrued payroll and vacations payable	46,087	71,067
Security deposit payable	22,867	22,867
Deferred rent payable (Note 6)	<u>735,024</u>	<u>680,286</u>
Total liabilities	<u>884,578</u>	<u>842,653</u>
Net assets (Exhibit B)		
Unrestricted	3,779,737	4,071,785
Temporarily restricted (Note 7)	680,189	212,439
Permanently restricted (Note 7)	<u>1,236,913</u>	<u>1,236,913</u>
Total net assets	<u>5,696,839</u>	<u>5,521,137</u>
Total liabilities and net assets	<u>\$ 6,581,417</u>	<u>\$ 6,363,790</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

LEARNING LEADERS, INC.

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010  
(With Summarized Financial Information  
for the Year Ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other support				
Contributions and grants	\$ 723,283	\$ 680,189	\$ 1,403,472	\$ 1,172,751
Individual giving	203,715		203,715	421,426
Grants from New York City agencies	537,850		537,850	595,700
Donated services (Note 8)	482,499		482,499	132,984
Value of in-kind contributions (Note 9)	283,769		283,769	375,950
Special events	\$ 561,839			
Less direct costs of special events	(57,044)			
Interest and dividends	504,795		504,795	347,606
Other	102,906		102,906	160,429
	16,340		16,340	2,222
Net assets released from restrictions (Note 7)	212,439	(212,439)		
Total operating revenues and other support	3,067,596	467,750	3,535,346	3,209,068
Operating expenses (Exhibit C)				
Program services				
Workshops	1,493,747		1,493,747	2,179,666
Elementary School	1,130,699		1,130,699	1,173,975
High Schools	235,151		235,151	270,816
Middle Schools	404,470		404,470	328,426
Total program services	3,264,067		3,264,067	3,952,883
Supporting services				
Management and general	400,800		400,800	440,871
Fund raising	443,141		443,141	481,042
Total supporting services	843,941		843,941	921,913
Total operating expenses	4,108,008		4,108,008	4,874,796

-continued-

LEARNING LEADERS, INC.

EXHIBIT B  
-2-

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010  
(With Summarized Financial Information  
for the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
				2010
				2009
Change in net assets from operations	\$ (1,040,412)	\$ 467,750	\$	\$ (572,662)
Net realized and unrealized gain (loss) on investments	748,364			(911,905)
Change in net assets (Exhibit D)	(292,048)	467,750		175,702
Net assets - beginning of year	4,071,785	212,439	\$ 1,236,913	5,521,137
Net assets - end of year (Exhibit A)	\$ 3,779,737	\$ 680,189	\$ 1,236,913	\$ 5,696,839
				\$ 5,521,137

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010  
(With Summarized Financial Information  
for the Year Ended June 30, 2009)

	Special Programs					Management and General	Supporting Services			Total	
	Workshops	Elementary	High	Middle	Total		Fund Raising	Special	Total	2010	2009
		School	Schools	Schools				Events			
Salaries	\$ 692,160	\$ 481,509	\$ 117,865	\$ 150,104	\$ 1,441,638	\$ 161,770	\$ 255,190	\$ 416,960	\$ 1,858,598	\$ 2,562,093	
Payroll taxes and employee benefits	155,874	108,436	26,543	33,803	324,656	36,360	57,469	93,829	418,485	523,992	
Total salaries and related expenses	848,034	589,945	144,408	183,907	1,766,294	198,130	312,659	510,789	2,277,083	3,086,085	
Donated services (Note 8)	33,221	293,668	21,610	108,275	456,774	25,725		25,725	482,499	132,984	
Professional fees	16,051	18,275	716	1,008	36,050	89,736	13,803	103,539	139,589	135,182	
Consultants	49,677				49,677				49,677	98,124	
Value of in-kind contributions (Note 9)	176,334	42,950	5,000	41,185	265,469		18,300	18,300	283,769	375,950	
Supplies	23,970	21,573	2,876	11,506	59,925	6,013	5,733	11,746	71,671	112,645	
Occupancy (Note 6)	214,194	74,156	20,316	25,971	334,637	31,348	40,861	72,209	406,846	391,031	
Travel and meetings	17,889	5,366	461	1,840	25,556	2,733	2,647	5,380	30,936	45,250	
Telephone	17,966	5,420	2,154	2,641	28,181	3,300	3,266	6,566	34,747	33,962	
Postage and shipping	3,836	13,405	1,585	1,918	20,744	2,455	4,740	7,195	27,939	51,753	
Printing	10,424	15,756	5,014	4,251	35,445	3,484	6,703	10,187	45,632	124,694	
Equipment repairs, maintenance and minor purchases	27,315	11,215	7,284	4,370	50,184	9,385	10,523	19,908	70,092	57,720	
Computer expense	23,462	8,862	3,431	4,828	40,583	5,482	5,339	10,821	51,404	44,726	
Insurance	4,290	13,397	5,653	4,996	28,336	3,518	3,428	6,946	35,282	40,596	
Depreciation and amortization	16,231	6,311	2,082	2,552	27,176	3,631	3,163	6,794	33,970	35,839	
Advertising and marketing						120		120	120	32,870	
Catering and facility fees	9,223	10,400	5,561	5,222	30,406		5,284	62,328	92,734	115,967	
Miscellaneous	1,630		7,000		8,630	15,740	6,692	22,432	31,062	26,681	
Total expenses	1,493,747	1,130,699	235,151	404,470	3,264,067	400,800	443,141	57,044	900,985	4,165,052	
Less expenses deducted directly from revenues on the statement of activities								(57,044)	(57,044)	(67,263)	
Total expenses reported by function (Exhibit B)	\$ 1,493,747	\$ 1,130,699	\$ 235,151	\$ 404,470	\$ 3,264,067	\$ 400,800	\$ 443,141	\$ -	\$ 843,941	\$ 4,108,008	

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## LEARNING LEADERS, INC.

## STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 175,702	\$ (2,577,633)
Adjustments to reconcile change in net assets to cash used by operating activities		
Net realized and unrealized (gain) loss on investments	(748,364)	911,905
Depreciation and amortization	33,970	35,839
Decrease (increase) in assets		
Contributions and grants receivable	(553,200)	637,204
Prepaid expenses and security deposits	27,731	(29,061)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	12,167	550
Accrued payroll and vacations payable	(24,980)	1,094
Deferred rent payable	54,738	65,887
Advances		(4,400)
Net cash used by operating activities	<u>(1,022,236)</u>	<u>(958,615)</u>
Cash flows from investing activities		
Fixed asset acquisitions	(17,115)	(1,570)
Proceeds from sale of investments	4,602,122	1,799,242
Purchase of investments	<u>(3,640,988)</u>	<u>(840,104)</u>
Net cash provided by investing activities	<u>944,019</u>	<u>957,568</u>
Net decrease in cash and cash equivalents	(78,217)	(1,047)
Cash and cash equivalents - beginning of year	<u>253,386</u>	<u>254,433</u>
Cash and cash equivalents - end of year	<u>\$ 175,169</u>	<u>\$ 253,386</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

LEARNING LEADERS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

**NOTE 1 - NATURE AND PURPOSE OF ORGANIZATION**

Learning Leaders, Inc. ("LL") is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. LL was established as New York City School Volunteer Program, Inc. in 1956 and incorporated in the State of New York in 1970.

LL works to improve the academic success of New York City's most vulnerable students through community and family engagement programs in the public schools. LL's professional staff of field-based coordinators educates parents and trains school volunteers to partner in children's learning. LL's activities include elementary, middle school and high school volunteer training and workshops, both designed to meet the special needs and interests of students in the New York City public schools. In addition to the training and workshops, LL also supplies books, learning games and other materials to help volunteers and children work together. LL is supported primarily by contributions and grants.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting* - The financial statements are prepared on the accrual basis of accounting.

*FASB Accounting Standards Codification* - In July 2009, the FASB released FASB Accounting Standards Codification (ASC) as the single source of authoritative nongovernmental U.S. Generally Accepted Accounting Principles (GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards documents are superseded as described in FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. All other accounting literature not included in the Codification is considered nonauthoritative.

*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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and cash equivalents* - Cash and cash equivalents represent highly liquid assets with maturities when acquired of less than three months.

-continued-

## LEARNING LEADERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Investments* - Investments are recorded at fair value. LL invests in various types of investments. Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on market fluctuations, and that such changes could materially affect the amounts reported in LL's statement of activities and investment portfolio.

***Fair Value Measurements and Disclosures***

*Fair Value Measurements and Disclosures*, ASC Topic 820, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Section 820 are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that LL has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010.

*Money market funds, domestic stocks, international stocks and U.S. and State Government obligations* - Valued at the closing price reported on the active market on which the individual securities are traded.

-continued-

## LEARNING LEADERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Hedge funds* - There are no observable inputs and certain of the underlying investments are not publicly traded and there is no secondary market for such funds. The hedge funds are valued at the NAV of shares held at year end by the managers of the underlying fund.

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

See Note 3, which sets forth by level within the fair value hierarchy the assets at fair value as of June 30, 2010.

*Contributions and grants receivable* - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Grants receivable from the City of New York are recorded when earned. Interest is not charged on outstanding receivables.

*Allowance for doubtful accounts* - Bad debt expense is charged if a receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Management has determined that no allowance is necessary as of June 30, 2010.

*Fixed assets* - Fixed assets costing in excess of \$2,500 with estimated useful lives of more than one year are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to fifteen years. Leasehold improvements in excess of \$2,500 with estimated useful lives of more than one year are capitalized. Amortization is computed using the straight-line method over the lesser of the life of the lease or the estimated useful life.

*Net assets* - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use by LL has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by LL in perpetuity. The donor may or may not restrict the use of investment income.

-continued-

## LEARNING LEADERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Contributions* - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions received and expended in the same fiscal year are reflected as unrestricted revenues. If donor stipulations are met in the period received, such gifts are recorded as increases in unrestricted net assets.

*Contract revenue* - Revenues from city agencies are recognized at contracted rates for services provided, and they are subject to audit by the agencies. No provision has been provided for any adjustments, as management does not anticipate any material adjustments.

*Donated services* - Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by LL. In addition, LL received contributed services from volunteers for classroom assistance. The value of these services has not been recorded in the accompanying financial statements, since they do not require a specialized skill and, therefore, do not meet the criteria for recognition.

*In-kind contributions* - In-kind contributions are reported at fair value.

*Rent expense* - Rent is recorded on the straight-line basis over the term of the lease. Deferred rent has been recorded for the difference between the fixed payment and rent expense.

*Advertising expense* - LL expenses advertising and marketing costs as incurred.

*Functional allocation of expenses* - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Measure of operations* - LL includes in its measure of operations all revenues and expenses that are an integral part of its program and supporting activities and excludes net realized and unrealized gains and losses on investments.

-continued-

## LEARNING LEADERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Summarized financial information* - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived. Certain 2009 revenue categories, program services and functional expenses amounts have been reclassified to conform with the current year's presentation.

*Uncertainty in income taxes* - Effective July 1, 2009, LL adopted the provision pertaining to uncertain tax positions, ASC Topic 740, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Tax returns for the years June 30, 2007 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events, ASC Topic 855, have been evaluated through December 16, 2010, which is the date the financial statements were available to be issued.

## NOTE 3 - INVESTMENTS

The following table sets forth by type and level, within the fair value hierarchy, the assets at fair value as of June 30, 2010. See Note 2 for a full description of the various levels.

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Money market funds and cash	\$ 566,080	\$ -	\$ 566,080
Domestic stocks	2,485,751	-	2,485,751
International stocks	253,708	-	253,708
U.S. and State Government obligations	1,416,217	-	1,416,217
Hedge funds	<u>-</u>	<u>7,195</u>	<u>7,195</u>
	<u>\$ 4,721,756</u>	<u>\$ 7,195</u>	<u>\$ 4,728,951</u>

-continued-

## LEARNING LEADERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

## NOTE 3 - INVESTMENTS (continued)

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended June 30, 2010:

	<u>Hedge Funds</u>
Balance, beginning of year	\$ 9,097
Unrealized gains relating to instruments still held at the reporting date	5,044
Purchases, sales, issuances and settlements (net)	<u>(6,946)</u>
Balance, end of year	\$ <u>7,195</u>

## NOTE 4 - CONTRIBUTIONS AND GRANTS RECEIVABLE

All unconditional contributions and grants receivable have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using a discount rate of 6%. The receivables are recorded as follows:

Less than one year	\$ 832,976
One year	<u>350,000</u>
	1,182,976
Less discount to present value	<u>(19,811)</u>
Present value of contribution and grants receivable	\$ <u>1,163,165</u>

-continued-

## LEARNING LEADERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

## NOTE 5 - FIXED ASSETS

		<u>Estimated Useful Lives</u>
Equipment	\$ 537,255	3-5 years
Leasehold improvements	<u>340,952</u>	15 years
	878,207	
Less accumulated depreciation and amortization	<u>(606,133)</u>	
	<u>\$ 272,074</u>	

## NOTE 6 - LEASE COMMITMENT

Operating Lease

In August 2005, LL entered into a noncancelable lease expiring on May 31, 2021.

Minimum lease payments for the next five years and thereafter are as follows:

2011	\$ 494,563
2012	509,290
2013	522,023
2014	535,073
2015	548,450
Thereafter	<u>3,713,623</u>
	<u>\$ 6,323,022</u>

Total rent for the year was \$484,805. LL received \$131,062 from a tenant sharing space, which is reflected as a reduction of rent expense. The net rent expense for the year was \$353,743.

-continued-

## LEARNING LEADERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

**NOTE 7 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following:

Periods after June 30, 2010	\$ <u>680,189</u>
-----------------------------	-------------------

During 2010, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes or by the occurrence of other events specified by the donors:

Parent volunteer scholarship	\$ 46,439
College planning	80,000
Lapse of time restrictions	<u>86,000</u>
	\$ <u>212,439</u>

**General**

LL's permanently restricted net assets consist of endowment fund assets to be held in perpetuity. The income from the assets can be used to support LL's activities.

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of LL has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as being the relevant sections of the New York State Not-for-Profit Corporations Law (N-PCL) requiring preservation of the fair value of a gift as of the gift date of donor-restricted endowment funds (historic dollar value), absent explicit donor stipulations to the contrary. As a result, and in accordance with the direction of the original donor gift instrument, LL classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of any subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any interest, dividends, rents, royalties or other revenue generated by donor-restricted endowment funds is used by the organization in a manner consistent with the standard of prudence required by law, absent explicit donor stipulations.

-continued-

## LEARNING LEADERS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 7 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS  
(continued)Return Objectives, Strategies Employed and Spending Policy

The objectives of LL are: 1) to maintain the principal endowment funds at the original amount designated by the donor; 2) to provide a perpetual, annual, spendable return from investments; and 3) to protect the annual spendable return over time from the effects of inflation. The investment policy to achieve these objectives is to invest in a balanced portfolio of primarily equity and investment grade fixed-income securities. Investment income earned in relation to the endowment funds is recorded as unrestricted income, because it is being expended in the same period in which it is being earned.

Funds with Deficiencies

LL does not have any funds with deficiencies.

Changes in Endowment Net Assets for the Year Ended June 30, 2010

	<u>Permanently Restricted</u>
Endowment funds, beginning of year	\$ 1,236,913
Add investment income	269,865
Less appropriation for expenditures	<u>(269,865)</u>
Endowment funds, end of year	\$ <u>1,236,913</u>

## NOTE 8 - DONATED SERVICES

LL received in-kind assistance of \$482,499, which has been reflected as revenues and expenses in the accompanying statement of activities. Included in the amount above is \$270,135 of volunteer licensed teachers, \$186,639 from the New York City Department of Education and \$25,725 of legal services received from a law firm where a board member is a partner.

## NOTE 9 - VALUE OF IN-KIND CONTRIBUTIONS

LL received in-kind contributions of \$283,769 from several sources. These gifts are in the form of advertising, books and other materials.

-continued-

**LEARNING LEADERS, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2010****NOTE 10 - PENSION PLAN**

Effective January 1, 2004, Learning Leaders, Inc. established a 403(b) tax-deferred annuity plan for all employees. Pension expense for the year ended June 30, 2010 was \$51,879.