

ADOPT-A-CLASSROOM, INC.

Financial Statements

June 30, 2008



ADOPT-A-CLASSROOM, INC.

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MAHONEY COHEN & COMPANY, CPA, P.C.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Adopt-A-Classroom, Inc.

We have audited the accompanying statements of financial position of Adopt-A-Classroom, Inc. (a nonprofit Florida corporation) as of June 30, 2008 and 2007, and the related statements of activities, cash flows and functional expenses for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 Adopt-A-Classroom, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mahoney Cohen & Company, CPA, P.C.

December 19, 2008

ADOPT-A-CLASSROOM, INC.
Statements of Financial Position
June 30, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Cash	\$ 1,164,723	\$ 300,708
Grants and pledges receivable (Notes 4 and 6)	187,216	327,064
Contribution receivable (Note 7)	488,476	525,542
Property and equipment, net (Note 5)	31,438	7,664
Artwork	2,000	2,000
Other assets	5,990	5,990
	<u>\$ 1,879,843</u>	<u>\$ 1,168,968</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 171,072	\$ 77,146
Accrued expenses	30,294	83,070
Total liabilities	<u>201,366</u>	<u>160,216</u>

Commitment (Note 8)

Net assets:

Unrestricted	673,930	81,108
Temporarily restricted	516,071	402,102
Permanently restricted (Note 7)	488,476	525,542
Total net assets	<u>1,678,477</u>	<u>1,008,752</u>
	<u>\$ 1,879,843</u>	<u>\$ 1,168,968</u>

See accompanying notes.



ADOPT-A-CLASSROOM, INC.
Statements of Activities
For the Years Ended June 30, 2008 and 2007

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions:								
Grants and general public (Notes 4 and 6)	\$ 1,860,695	\$ 516,071	\$ -	\$ 2,376,766	\$ 640,037	\$ 402,102	\$ -	\$ 1,042,139
Investment income	16,622	-	-	16,622	18,760	-	-	18,760
Other income	576	-	-	576	8,444	-	-	8,444
Change in present value of contribution receivable	-	-	(37,066)	(37,066)	-	-	25,542	25,542
Net assets released from restrictions:								
Satisfaction of donor restrictions	402,102	(402,102)	-	-	373,921	(373,921)	-	-
Total support and revenue	2,279,995	113,969	(37,066)	2,356,898	1,041,162	28,181	25,542	1,094,885
Expenses:								
Support services:								
Fundraising	25,000	-	-	25,000	126,146	-	-	126,146
Administration and management	167,875	-	-	167,875	64,479	-	-	64,479
Program services:								
Classroom adoption	1,494,298	-	-	1,494,298	862,471	-	-	862,471
Total expenses	1,687,173	-	-	1,687,173	1,053,096	-	-	1,053,096
Change in net assets	592,822	113,969	(37,066)	669,725	(11,934)	28,181	25,542	41,789
Net assets, beginning of year	81,108	402,102	525,542	1,008,752	93,042	373,921	500,000	966,963
Net assets, end of year	\$ 673,930	\$ 516,071	\$ 488,476	\$ 1,678,477	\$ 81,108	\$ 402,102	\$ 525,542	\$ 1,008,752

See accompanying notes.

ADOPT-A-CLASSROOM, INC.
Statements of Cash Flows
For the Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ 669,725	\$ 41,789
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,822	347
Change in present value of contribution receivable	37,066	(25,542)
Change in assets and liabilities:		
Grants and pledges receivable	139,848	(23,814)
Other assets	-	(4,021)
Accounts payable	93,926	42,815
Accrued expenses	(52,776)	78,336
Net cash provided by operating activities	<u>894,611</u>	<u>109,910</u>
Cash flows used in investing activities:		
Capital expenditures	<u>(30,596)</u>	<u>(6,775)</u>
Net increase in cash	864,015	103,135
Cash, beginning of year	<u>300,708</u>	<u>197,573</u>
Cash, end of year	<u>\$ 1,164,723</u>	<u>\$ 300,708</u>

See accompanying notes.



ADOPT-A-CLASSROOM, INC.
Statements of Functional Expenses
For the Years Ended June 30, 2008 and 2007

	2008				2007			
	Support Services		Program		Support Services		Program	
	Administration		Services		Administration		Services	
	Fundraising	and Management	Classroom Adoption	Total	Fundraising	and Management	Classroom Adoption	Total
Payroll and related costs	\$ 25,000	\$ 25,000	\$ 176,888	\$ 226,888	\$ 11,719	\$ 11,719	\$ 175,273	\$ 198,711
Classroom purchases	-	-	1,110,945	1,110,945	-	-	507,642	507,642
Website development	-	-	59,683	59,683	-	-	84,696	84,696
Professional fees	-	76,516	61,165	137,681	-	16,196	44,476	60,672
Cost of fundraising	-	-	-	-	114,427	-	-	114,427
Rent	-	7,723	11,585	19,308	-	6,666	10,000	16,666
Insurance	-	9,659	14,489	24,148	-	8,674	13,010	21,684
Printed materials	-	-	-	-	-	-	361	361
Travel and entertainment	-	11,300	-	11,300	-	5,439	-	5,439
Telephone	-	727	4,117	4,844	-	800	4,535	5,335
Other	-	36,950	55,426	92,376	-	14,985	22,478	37,463
	\$ 25,000	\$ 167,875	\$ 1,494,298	\$ 1,687,173	\$ 126,146	\$ 64,479	\$ 862,471	\$ 1,053,096

See accompanying notes.



ADOPT-A-CLASSROOM, INC.
Notes to Financial Statements

Note 1 - Organization

Adopt-A-Classroom, Inc. (the "Organization") was incorporated in the State of Florida on February 18, 1998, as a not-for-profit corporation. The Organization serves the community by soliciting contributions from corporations, foundations and the general public for use by specific teachers in acquiring school supplies for classrooms of local community schools and for the funding of the general expenses of the Organization.

Note 2 - Basis of Presentation

The Organization prepares its financial statements in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under the provisions of SFAS No. 117, net assets and revenue, 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 can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Note 3 - Summary of Significant Accounting Policies

Contributions

The Organization accounts for contributions in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," which requires contributions, including unconditional promises to give, to be recognized as revenue in the period received. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions are reported as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. The Organization considers all contributions available for unrestricted use, unless specifically restricted by donors. Restricted contributions for which restrictions are met in the same reporting period are reported as unrestricted contributions.

ADOPT-A-CLASSROOM, INC.
Notes to Financial Statements

Note 3 - Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization receives temporarily restricted donations, which must be spent during the school year in which the donation is received or carried over to the following school year. At year-end, contributions received and not yet allocated to a classroom or not yet spent by the teacher remain as temporarily restricted net assets.

Use of Estimates

The preparation of financial statements in accordance 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis ranging from five to seven years. Leasehold improvements are amortized over the lesser of the estimated life of the asset or the lease term.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash to be used to acquire property and equipment are reported as restricted support. The Organization reports expirations of donor restrictions in accordance with the useful life of the asset placed in service when the donor stipulations are absent. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

ADOPT-A-CLASSROOM, INC.
Notes to Financial Statements

Note 3 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between the program and fundraising activities benefited.

Income Tax Status

The Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is required. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code.

Note 4 - Concentration of Credit Risk and Major Sponsors

For the year ended June 30, 2008, three sponsors accounted for 48% of total grants and pledge contributions. At June 30, 2008, two of such sponsors accounted for 87% of total grants and pledges receivable. Such pledges were collected subsequent to June 30, 2008.

For the year ended June 30, 2007, contributions from two sponsors accounted for 37% of total grants and pledge contributions. At June 30, 2007, grants and pledges receivable from such sponsors accounted for 92% of total grants and pledges receivable. Such pledges were collected subsequent to June 30, 2007.

The Organization places its cash with financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2008, the uninsured portion of the cash balances was approximately \$1,064,000.

ADOPT-A-CLASSROOM, INC.
Notes to Financial Statements

Note 5 - Property and Equipment

At June 30, property and equipment is summarized as follows:

	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$ 9,931	\$ 4,935
Computer equipment	2,469	1,824
Leasehold improvements	<u>30,431</u>	<u>5,476</u>
	42,831	12,235
Less: Accumulated depreciation and amortization	<u>11,393</u>	<u>4,571</u>
	<u>\$ 31,438</u>	<u>\$ 7,664</u>

Note 6 - Concentrations

The Organization has an agreement with School Specialty, Inc. ("Specialty"), which gives Specialty the exclusive rights to be the resident default vendor of the Organization's website, causing "adopted teachers" to be directed to Specialty's offering as their default shopping option.

The agreement provides for a discount of 25% off Educational Essentials Catalog prices, 15% off Sax Arts and Crafts Catalog prices and a 10% discount on other specialty catalogs. These discounts are used by the Organization to cover administrative expenses.

During the years ended June 30, 2008 and 2007, purchases from Specialty amounted to approximately \$425,000 and \$311,000, respectively. Discounts on purchases to Specialty for the years ended June 30, 2008 and 2007 amounted to approximately \$91,000 and \$74,000, respectively.

During the year ended June 30, 2008, one of the Organization's sponsors became a major vendor. Purchases from such sponsor amounted to approximately \$389,000 for the year ended June 30, 2008. Discounts on purchases from this sponsor for the year ended June 30, 2008 amounted to approximately \$89,000.

ADOPT-A-CLASSROOM, INC.
Notes to Financial Statements

Note 7 - Contribution Receivable

On June 30, 2006, the Organization entered into an agreement with the North Dade Medical Foundation, Inc. ("North Dade") by which North Dade transferred \$500,000 to a designated representative to establish the Adopt-A-Classroom North Dade Medical Foundation Endowment Fund (the "Endowment Fund"). The Endowment Fund is permanently restricted and is invested by the designated representative. The designated representative makes a single payment at the end of each fiscal year calendar quarter to provide general support to the Organization. These quarterly payments shall annually total a maximum of 5% of the market value of the Endowment Fund at the end of the Organization's immediately preceding fiscal year.

During the years ended June 30, 2008 and 2007, donations received for North Dade amounted to approximately \$19,000 and \$25,000, respectively.

Note 8 - Commitment

The Organization leases its offices under a non-cancellable operating lease agreement expiring in August 2011. Future minimum lease payments are as follows:

Year Ending June 30, <u> </u>	
2009	\$ 20,200
2010	20,200
2011	20,200
2012	<u>3,400</u>
	<u>\$ 64,000</u>

Rent expense for the years ended June 30, 2008 and 2007 amounted to approximately \$19,300 and \$16,700, respectively.

