



Financial Statements
December 31, 2010 and 2009
Lifetrack Resources, Inc.

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Lifetrack Resources, Inc.
St. Paul, Minnesota

We have audited the accompanying statement of financial position of Lifetrack Resources, Inc. (the Organization) as of December 31, 2010 and the related statements of activities, cash flows and functional expenses 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 the Organization's 2009 financial statements and, in our report dated June 4, 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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating 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 the Organization as of December 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2011 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Minneapolis, Minnesota
May 25, 2011

Lifetrack Resources, Inc.
Balance Sheets
December 31, 2010 (With Comparative Totals for 2009)

| | 2010 | 2009 |
|--|--------------|--------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,102,634 | \$ 634,523 |
| Receivables | | |
| Accounts, less allowance for doubtful accounts of \$19,000 in 2010 and \$44,000 in 2009 | 441,099 | 547,032 |
| Contributions, net | 80,074 | 3,658 |
| Grants | 611,703 | 631,014 |
| Inventory | 118,763 | 185,209 |
| Prepaid expenses and other assets | 91,856 | 131,898 |
| Total current assets | 2,446,129 | 2,133,334 |
| Property and Equipment, Net | 2,302,017 | 2,483,626 |
| Investments | 724,485 | 613,411 |
| Long-term Contributions Receivable, Net | 87,912 | 68,195 |
| Other Assets | 50,159 | 40,779 |
| | \$ 5,610,702 | \$ 5,339,345 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 69,863 | \$ 85,906 |
| Accrued expenses | 305,604 | 334,983 |
| Deferred revenue | 44,104 | 19,600 |
| Total current liabilities | 419,571 | 440,489 |
| Net Assets | | |
| Unrestricted | | |
| Undesignated | 4,017,995 | 4,009,892 |
| Board designated for endowment purposes | 348,648 | 288,721 |
| | 4,366,643 | 4,298,613 |
| Temporarily restricted | 545,500 | 334,155 |
| Permanently restricted | 278,988 | 266,088 |
| | 5,191,131 | 4,898,856 |
| | \$ 5,610,702 | \$ 5,339,345 |

Lifetrack Resources, Inc.
Statement of Activities
Year Ended December 31, 2010 (With Comparative Totals for 2009)

| | 2010 | | | 2009 | |
|--|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Totals | Totals |
| Support and Revenue | | | | | |
| Contributions | \$ 19,999 | \$ 616,020 | \$ 12,900 | \$ 648,919 | \$ 619,447 |
| United Way | 1,089,097 | - | - | 1,089,097 | 1,096,473 |
| Program service fees | | | | | |
| Government | 4,388,881 | - | - | 4,388,881 | 4,958,946 |
| Non-government service fees | 1,221,987 | - | - | 1,221,987 | 1,236,528 |
| Innovative Packaging Solutions sales | 1,286,428 | - | - | 1,286,428 | 1,600,469 |
| Rent income | 8,045 | - | - | 8,045 | 12,789 |
| Interest income | 6,415 | - | - | 6,415 | 2,052 |
| Investment income | 61,016 | 38,247 | - | 99,263 | 91,676 |
| Miscellaneous | 13,708 | - | - | 13,708 | 16,708 |
| Net assets released from restrictions | 442,922 | (442,922) | - | - | - |
| Total support and revenue | 8,538,498 | 211,345 | 12,900 | 8,762,743 | 9,635,088 |
| Expenses | | | | | |
| Program services | | | | | |
| Employment and Business Services | 3,984,258 | - | - | 3,984,258 | 4,968,593 |
| Child and Adult Therapies | 1,726,036 | - | - | 1,726,036 | 1,777,741 |
| Early Childhood and Family Services | 1,682,841 | - | - | 1,682,841 | 1,675,525 |
| Total program services | 7,393,135 | - | - | 7,393,135 | 8,421,859 |
| Supporting services | | | | | |
| Management and general | 812,779 | - | - | 812,779 | 798,482 |
| Fundraising | 255,026 | - | - | 255,026 | 251,418 |
| Total supporting services | 1,067,805 | - | - | 1,067,805 | 1,049,900 |
| Total expenses | 8,460,940 | - | - | 8,460,940 | 9,471,759 |
| Change in Operating Net Assets | 77,558 | 211,345 | 12,900 | 301,803 | 163,329 |
| Nonoperating Activity | | | | | |
| Loss on disposal of assets | (9,528) | - | - | (9,528) | (98,127) |
| Change in Net Assets | 68,030 | 211,345 | 12,900 | 292,275 | 65,202 |
| Net Assets, Beginning of Year | 4,298,613 | 334,155 | 266,088 | 4,898,856 | 4,833,654 |
| Net Assets, End of Year | \$ 4,366,643 | \$ 545,500 | \$ 278,988 | \$ 5,191,131 | \$ 4,898,856 |

Lifetrack Resources, Inc.
Statement of Cash Flows
Year Ended December 31, 2010 (With Comparative Totals for 2009)

| | 2010 | 2009 |
|---|--------------|------------|
| Operating Activities | | |
| Change in net assets | \$ 292,275 | \$ 65,202 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 283,275 | 273,168 |
| Loss on disposal of equipment | 9,528 | 98,127 |
| Gain on sale of investment | (55,403) | (17,993) |
| Unrealized gain on investments | (43,860) | (73,683) |
| Changes in operating assets and liabilities | | |
| Receivables | 29,111 | 472,623 |
| Inventory | 66,446 | 58,722 |
| Prepaid expenses | 40,042 | (79,772) |
| Other assets | (9,380) | (962) |
| Accounts payable | (16,043) | (135,875) |
| Accrued expenses | (29,379) | (166,438) |
| Deferred revenue | 24,504 | 4,600 |
| Permanently restricted contributions | (12,900) | (22,288) |
| Net Cash from Operating Activities | 578,216 | 475,431 |
| Investing Activities | | |
| Purchase of investments | (11,811) | (21,336) |
| Purchase of building improvements | (111,194) | (68,128) |
| Purchase of equipment | - | (33,191) |
| Net Cash used for Investing Activities | (123,005) | (122,655) |
| Financing Activities | | |
| Permanently restricted contributions | 12,900 | 22,288 |
| Net Change in Cash and Cash Equivalents | 468,111 | 375,064 |
| Cash and Cash Equivalents, Beginning of Year | 634,523 | 259,459 |
| Cash and Cash Equivalents, End of Year | \$ 1,102,634 | \$ 634,523 |

| | 2010 | | | |
|---|--|---------------------------------|--|---------------------|
| | Program Services | | | |
| | Employment and Business Services | Child and Adult Therapies | Early Childhood and Family Services | Total |
| Personnel Costs | | | | |
| Salaries and wages | \$ 1,675,412 | \$ 1,124,474 | \$ 1,018,836 | \$ 3,818,722 |
| Program participant wages | 308,778 | - | - | 308,778 |
| Payroll taxes and fringe benefits | 565,349 | 331,949 | 357,496 | 1,254,794 |
| Total personnel costs | <u>2,549,539</u> | <u>1,456,423</u> | <u>1,376,332</u> | <u>5,382,294</u> |
| Other Expenses | | | | |
| Professional fees/purchased services | 131,421 | 109,455 | 15,281 | 256,157 |
| Supplies | 24,068 | 12,295 | 39,590 | 75,953 |
| Production materials | 354,927 | - | - | 354,927 |
| Occupancy | 146,337 | 6,270 | 54,805 | 207,412 |
| Travel and transportation | 45,241 | 31,496 | 47,372 | 124,109 |
| Printing and postage | 21,836 | 7,263 | 1,666 | 30,765 |
| Subscriptions, publications and media use | 2,606 | 1,232 | 168 | 4,006 |
| Telephone | 24,629 | 5,890 | 11,492 | 42,011 |
| Equipment rental and maintenance | 4,590 | 540 | 168 | 5,298 |
| Program participant assistance | 109,297 | 2,220 | 91,469 | 202,986 |
| Meetings, conferences and training | 14,942 | 8,354 | 7,522 | 30,818 |
| Depreciation and amortization | 140,106 | 55,888 | 28,871 | 224,865 |
| Special activities | 475 | 8,342 | 1,461 | 10,278 |
| Payments to sub-recipients | 419,874 | - | - | 419,874 |
| Other | (5,630) | 20,368 | 6,644 | 21,382 |
| Total other expenses | <u>1,434,719</u> | <u>269,613</u> | <u>306,509</u> | <u>2,010,841</u> |
| Total Expenses | <u>\$ 3,984,258</u> | <u>\$ 1,726,036</u> | <u>\$ 1,682,841</u> | <u>\$ 7,393,135</u> |
| Percentage of Total Expenses | <u>47%</u> | <u>20%</u> | <u>20%</u> | <u>87%</u> |

See Notes to Financial Statements

Lifetrack Resources, Inc.
Statement of Functional Expenses
Year Ended December 31, 2010 (With Comparative Totals for 2009)

| 2010 | | | 2009 | |
|------------------------------|-----------------|-------------------|-------------------|--|
| Supporting Services | | | | |
| Management and General | Fund Raising | Total Expenses | Total Expenses | |
| \$ 383,514 | \$ 127,584 | \$ 4,329,820 | \$ 4,776,212 | |
| - | - | 308,778 | 323,884 | |
| 119,718 | 38,263 | 1,412,775 | 1,506,395 | |
| 503,232 | 165,847 | 6,051,373 | 6,606,491 | |
| 66,045 | 68,099 | 390,301 | 473,217 | |
| - | - | 75,953 | 121,573 | |
| 12,792 | 413 | 368,132 | 553,082 | |
| 110,020 | 706 | 318,138 | 338,816 | |
| 2,162 | 420 | 126,691 | 132,823 | |
| 19,174 | 4,177 | 54,116 | 62,690 | |
| 2,255 | 600 | 6,861 | 17,917 | |
| 6,824 | 457 | 49,292 | 53,255 | |
| 8,633 | 16 | 13,947 | 17,763 | |
| - | - | 202,986 | 182,212 | |
| 13,298 | 943 | 45,059 | 44,139 | |
| 56,397 | 2,013 | 283,275 | 273,163 | |
| 1,888 | 10,313 | 22,479 | 17,612 | |
| - | - | 419,874 | 532,846 | |
| 10,059 | 1,022 | 32,463 | 44,160 | |
| 309,547 | 89,179 | 2,409,567 | 2,865,268 | |
| \$ 812,779 | \$ 255,026 | \$ 8,460,940 | \$ 9,471,759 | |
| 10% | 3% | 100% | | |

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Lifetrack Resources, Inc.'s (Lifetrack or the Organization) mission is to work together to develop the strengths within children, families, and adults facing the greatest life challenges. Services are provided through their focus on: Employment & Economic Opportunity and Child & Family Healthy Development.

Employment and Economic Opportunity

Lifetrack provides employment services in the Twin Cities and Minnesota. Lifetrack is an intermediary between businesses and their participants, and also works holistically with families to help them achieve their goals for today and the future. This includes job training at Lifetrack's Innovative Packaging Solutions (formerly Packaging First).

Child & Family Healthy Development

Within Child & Family Healthy Development, services fall into two categories: Early Childhood & Family Services and Child & Adult Therapeutic Services.

Early Childhood & Family Services: Through the Early Childhood & Family Services programs, Lifetrack is committed to helping every child they serve improve in one or more key developmental indicators: social, cognitive, motor, speech/language and mental health and to seeing that their parents and caregivers increase their knowledge of resources to meet their child's basic, health and developmental needs.

Child & Adult Therapeutic Services: Lifetrack's work is made possible through an in-house therapeutic team and network of partners, and provides integrated, effective therapeutic services to their clients and families. Lifetrack is licensed as a Home Care Provider by the Minnesota Department of Health.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Permanently restricted net assets consist of contributions for general endowment funds that are required by the gift instruments to be invested in perpetuity. Investment earnings on such investments are available to support the Organization's charitable efforts and are reported as temporarily restricted net assets in the statement of activities until the Organization formally approves for spending, unless otherwise specified by the donor.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents also does not include cash held by investment managers and designated for investment.

The Organization's cash balances in financial institutions periodically exceed Federal Deposit Insurance Corporation coverage.

Receivables

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on these receivables using the allowance method. The allowance is based on experience and other circumstances. Receivables are considered past-due based on contractual terms. The Organization does not charge interest on past due accounts. The Organization charges off uncollectible receivables against the allowance for doubtful accounts when all other options to pursue collection have been exhausted.

Contributions receivable are recognized as revenues or gains in the period earned and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants receivable are primarily due from government agencies and are considered fully collectible. Accordingly, no allowance for doubtful accounts is required. If accounts become uncollectible, they are charged to operations when that determination is made.

Inventory

Inventory consists primarily of packaging materials and is maintained at Innovative Packaging Solutions, an employment training center, and is stated at the lower of cost or market determined by the first-in, first-out method.

Property and Equipment

Expenditures for the acquisition of property and equipment greater than \$2,100 are capitalized at cost, and donated property and equipment are capitalized at fair value at the date of the donation. Depreciation is computed on the straight-line method over the following useful lives:

| | |
|-------------------------|------------|
| Building | 30 years |
| Furniture and equipment | 3-20 years |

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and realized and unrealized gains and losses are reported as increases/decreases in unrestricted and temporarily restricted net assets in the reporting period in which the income and gains and losses are recognized.

The investments are not insured and involve risks, including the possible loss of the principal invested.

The Organization has a Donor Restricted Endowment Fund which is permanently restricted. Investment earnings are available to support the Organization's charitable efforts and are reported as unrestricted in the statement of activities.

Support/Revenue Recognition

Contributions including unconditional promises to give or be received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Grant and other revenue billed in advance is recorded as deferred revenue and recognized as revenue in the period in which the related services are rendered.

Innovative Packaging Solutions sales are recorded when goods are shipped.

Donated Services and Supplies

Non-cash donations are reflected as support in the financial statements at their estimated fair value on the date of donation.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the criteria above are not met.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative 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 December 31, 2009, from which the summarized information was derived.

Income Taxes

Lifetrack is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

The Organization evaluates accounting for uncertainty in income taxes and undergoes an annual analysis of its activities and various tax authorities. As of December 31, 2010, no amounts were recorded as a result of this analysis.

The Organization will recognize any future accrued interest and penalties related to unrecognized tax or expense as incurred. The Organization is no longer subject to Federal or state tax examinations by tax authorities for years before 2008.

Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with the provisions of Accounting Standards Codification Topic (ASC) 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

Fair value is 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. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization applies a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Subsequent Events

The Organization has evaluated subsequent events through May 25, 2011, the date which the financial statements were issued.

Note 2 - Investments

The Organization's investments at December 31, 2010 are stated at fair value. Fair values and unrealized appreciation (depreciation) are summarized as follows:

| | Fair Value |
|--------------|---------------|
| Money market | \$ 24,349 |
| Equities | 541,126 |
| Fixed income | 159,010 |
| | \$ 724,485 |

The investment restrictions and designations are as follows:

| | Fair Value |
|--|---------------|
| Investments restricted to | |
| Endowment - donor restricted (including temporarily restricted earnings) | \$ 375,837 |
| Endowment - Board restricted | 348,648 |
| | \$ 724,485 |

The following schedule summarizes the investment income reported in the statement of activities:

| | |
|-----------------------------------|-----------|
| Investment and dividend income | \$ 55,403 |
| Net realized and unrealized gains | 43,860 |
| | \$ 99,263 |

Note 3 - Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2010:

| | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|--------------|---|--|-------------------------------------|
| Money market | \$ 24,349 | \$ - | \$ - |
| Equities | 541,126 | - | - |
| Fixed income | - | 159,010 | - |
| | <u>\$ 565,475</u> | <u>\$ 159,010</u> | <u>\$ -</u> |

Note 4 - Contributions Receivable

Contributions receivable as of December 31, 2010 are as follows:

| | |
|-------------------------------------|-------------------|
| Contributions receivable | \$ 177,518 |
| Less allowance for uncollectibles | <u>(3,973)</u> |
| | <u>\$ 173,545</u> |
| Receivable in less than one year | \$ 80,074 |
| Receivable in one to five years | 93,471 |
| | <u>173,545</u> |
| Less discounts to net present value | <u>(5,559)</u> |
| Net contributions receivable | <u>\$ 167,986</u> |

Contributions receivable that are due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 5%.

Note 5 - Property and Equipment

Property and equipment at December 31, 2010, consist of the following:

| | |
|--|----------------------------|
| Land | \$ 446,745 |
| Buildings and improvements | 3,917,818 |
| Equipment and software | <u>2,642,743</u> |
| Total property and equipment | 7,007,306 |
| Less accumulated depreciation and amortization | <u>(4,705,289)</u> |
| Net property and equipment | <u><u>\$ 2,302,017</u></u> |

Note 6 - Line of Credit

The Organization has available a \$500,000 line of credit with a bank, collateralized by substantially all assets of the Organization. Interest accrues monthly at the prime rate, with a minimum rate of 5.5%. At December 31, 2010, the interest rate was 5.5%. The line of credit agreement expires August 1, 2011. As of December 31, 2010, there were no advances under the line of credit agreement.

Note 7 - Operating Leases

As Lessee:

The Organization leases office facilities and equipment under leases expiring in 2010. The total expense incurred under these leases was \$111,000 for the year ended December 31, 2010.

Future minimum payments under these leases are:

| Years Ending December 31, | Amount |
|---------------------------|--------------------------|
| 2011 | \$ 41,000 |
| 2012 | 28,000 |
| 2013 | 29,000 |
| 2014 | 29,000 |
| 2015 | <u>30,000</u> |
| | <u><u>\$ 157,000</u></u> |

As Lessor:

The Organization leases office space to tenants and billboard space under operating leases expiring through 2014. The total rental income received under these leases was \$8,000 for the year ended December 31, 2010.

Future minimum rentals under these leases are:

| Years Ending December 31, | Amount |
|---------------------------|-----------|
| 2011 | \$ 24,000 |
| 2012 | 22,000 |
| 2013 | 5,000 |
| 2014 | 2,000 |
| | \$ 53,000 |

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

| | |
|---|------------|
| Employment and Business Services | |
| Employment services general support | \$ 16,458 |
| Innovative Packaging Solutions | 25,000 |
| Total Employment and Business Services | 41,458 |
| Child and Adult Therapies | |
| Hearing related programs | 94,885 |
| Total Child and Adult Therapies | 94,885 |
| Early Childhood and Family Services | |
| Families Together program | 380,035 |
| Home Visiting pilot project | 25,000 |
| Total Childhood and Family Services | 405,035 |
| Management and general - for periods after December 31, 2010 | 4,122 |
| | \$ 545,500 |

Net assets released from restrictions during the year were comprised of the following:

| | |
|---------------------------------------|-------------------|
| Employment and Business Services | |
| Employment services general support | \$ 23,542 |
| Refugee/immigrant financial education | 10,000 |
| Total employment services | <u>33,542</u> |
| Child and Adult Therapies | |
| Hearing related programs | 5,235 |
| Total Child and Adult Therapies | <u>5,235</u> |
| Early Childhood and Family Services | |
| Families Together program | 224,580 |
| Home Visiting Pilot program | 152,414 |
| Total Childhood and Family Services | <u>376,994</u> |
| General and administrative | <u>27,151</u> |
| | <u>\$ 442,922</u> |

Note 9 - Endowment

Board-designated Endowment

The Board of Directors of Lifetrack Resources, Inc. has designated \$348,648 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 and is not subject to (Universal Prudent Management of Institutional Funds Act) UPMIFA as described in a following paragraph.

The Board of Directors has elected to spend the earnings as needed for operations and to build the fund's capacity as a sustainable funding resource for future needs. The Organization attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent inflation-protected rate of return. 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.

Donor-designated Endowments (Minnesota UPMIFA)

The endowment consists of approximately four individual funds established for a variety of purposes. Its endowment consists of donor-restricted endowment funds. 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 the Organization has interpreted the Minnesota adoption of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with Minnesota UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Endowment net asset composition by type of fund as of December 31, 2010 is:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|-------------------------------------|--------------|---------------------------|---------------------------|------------|
| Donor-restricted endowment funds | \$ - | \$ 96,849 | \$ 278,988 | \$ 375,837 |
| Board-designated endowment funds | 348,648 | - | - | 348,648 |
| | \$ 348,648 | \$ 96,849 | \$ 278,988 | \$ 724,485 |

Changes in endowment net assets for the fiscal year ended December 31, 2010 are:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 288,721 | \$ 58,602 | \$ 266,088 | \$ 613,411 |
| Investment return | | | | |
| Investment income | 34,058 | 21,345 | - | 55,403 |
| Net appreciation (realized and unrealized) | 26,958 | 16,902 | - | 43,860 |
| Contributions | - | - | 12,900 | 12,900 |
| Appropriation of endowment assets for expenditure | <u>(1,089)</u> | <u>-</u> | <u>-</u> | <u>(1,089)</u> |
| Endowment net assets, end of year | <u>\$ 348,648</u> | <u>\$ 96,849</u> | <u>\$ 278,988</u> | <u>\$ 724,485</u> |

Permanently Restricted Net Assets

| | |
|---|-------------------|
| The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA. | <u>\$ 278,988</u> |
| Total endowment funds classified as permanently restricted net assets | <u>\$ 278,988</u> |

Temporarily Restricted Net Assets

| | |
|---|------------------|
| The portion of perpetual endowment funds subject to a time restriction under Minnesota UPMIFA: With purpose restrictions | <u>\$ 96,849</u> |
| Total endowment funds classified as temporarily restricted net assets | <u>\$ 96,849</u> |

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified periods as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that emphasize consistent growth of principal while avoiding excessive risk, primarily through asset diversification. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index. The Organization expects its endowment funds to produce an average rate of return over time (or over a period of three to five years) of at least 6% over inflation, net of new assets invested and net of fees incurred. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year an amount not to exceed 5% of its annual endowment fund to the operating fund for use by the Board and consistent with donor designation. Annually, as part of the budget process, the determination of actual transfer amounts will be made. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 10 - Retirement Plans

The Organization makes contributions to the Lifetrack Resources, Inc. 403(b) plan, which was established on January 1, 2005, under Section 403(b) of the Internal Revenue Code. All regular staff employees except highly compensated employees are eligible to participate in this defined contribution plan. The Organization provides base and matching contributions to the plan for employees who are 21 years old and who have completed one year of service. Employer contributions to the 403(b) plan were \$105,000 for the year ended December 31, 2010.

The Organization maintains a Section 457 plan for highly compensated employees who are excluded from the 403(b) plan; currently one employee. The 457 plan is funded solely by employee salary reduction contributions. Pursuant to Board action, the salary of the affected employee was adjusted to provide an employer contribution in lieu of what would have been received through participation in the 403(b) plan.

The Organization also participates in the Defined Benefit Pension Plan of Greater Twin Cities United Way and Participating Affiliated Agencies, a multiple-employer defined benefit plan which was frozen effective December 31, 2004, with no further accumulation of benefits. The pension cost consists of normal cost plus amortized past-service cost, as applied to service through December 31, 2004. The Organization made contributions to the plan totaling \$222,000 in the year ended December 31, 2010.

The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employers Pension Plan Amendment Act of 1980, imposes certain liabilities on employers who are contributors to multi-employer plans in the event of their withdrawal from such a plan or upon a termination of such a plan. The Organization has not undertaken to terminate, withdraw, or partially withdraw from the plan.

Note 11 - Concentrations

The Organization receives a significant amount of support from the Greater Twin Cities United Way and program service fee revenue from Ramsey County Workforce Solutions and from other various governmental agencies. Any change in the level of funding from these entities could affect the activities of the Organization.

In 2010, the Organization recognized Innovative Packaging Solutions sales revenue of \$1,286,000 with \$1,056,000 or 82% of it from one major customer. At December 31, 2010, the Organization had accounts receivable from this customer of approximately \$133,000.

Note 12 - Contingencies

Financial assistance from federal, state and local governmental entities in the form of grants is subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.



Supplementary Information
December 31, 2010

Lifetrack Resources, Inc.



CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Supplementary Information

To the Board of Directors
Lifetrack Resources, Inc.
St. Paul, Minnesota

The Extended Employment Program – Schedule of Revenue and Expenses on page 20 is not a required part of the basic financial statements of Lifetrack Resources, Inc., but is supplementary information required by the State of Minnesota Department of Economic Security. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Eide Bailly LLP

Minneapolis, Minnesota
May 25, 2011

Lifetrack Resources, Inc.
Extended Employment Program – Schedule of Revenue and Expenses
For the Year Ended December 31, 2010

| Revenue | For the Year Ending: | | | | | | | | | |
|---------------------------------|----------------------|--------------------|--------------------|--------------------|-------------|-------------|--------------|-------------|--------------------|--------------------|
| | Total | | Supported | | Community | | Center-based | | SMI | |
| | 6/30/10 | 12/31/10 | 6/30/10 | 12/31/10 | 6/30/10 | 12/31/10 | 6/30/10 | 12/31/10 | 6/30/10 | 12/31/10 |
| A MN DEED-EE Grants | \$ 279,747 | \$ 280,178 | \$ 137,934 | \$ 136,946 | \$ - | \$ - | \$ - | \$ - | \$ 141,813 | \$ 143,232 |
| B MN DEED -VR Svc Fees | 79,776 | 88,803 | 45,759 | 66,563 | - | - | - | - | 34,017 | 22,240 |
| C Host county | 360 | 1,553 | 360 | 1,553 | - | - | - | - | - | - |
| D Other county | - | - | - | - | - | - | - | - | - | - |
| E Contract income | 2,300 | 14,643 | - | 2,508 | - | - | - | - | 2,300 | 12,135 |
| F Sales/prime product | - | - | - | - | - | - | - | - | - | - |
| G Contributions/donations | - | 11,619 | - | - | - | - | - | - | - | 11,619 |
| H Other government grants | - | - | - | - | - | - | - | - | - | - |
| I Miscellaneous | - | - | - | - | - | - | - | - | - | - |
| J Total revenue | <u>362,183</u> | <u>396,796</u> | <u>184,053</u> | <u>207,570</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>178,130</u> | <u>189,226</u> |
| Expenses | | | | | | | | | | |
| Compensation | | | | | | | | | | |
| A Staff wages | 184,747 | 282,987 | 94,758 | 101,250 | - | - | - | - | 89,989 | 91,748 |
| B Staff benefits | 47,907 | 50,160 | 24,566 | 26,417 | - | - | - | - | 23,341 | 23,743 |
| C Staff payroll taxes | 28,767 | 23,151 | 15,226 | 12,294 | - | - | - | - | 13,541 | 10,857 |
| D Client wages | - | 23,319 | - | 23,319 | - | - | - | - | - | - |
| E Client benefits | - | - | - | - | - | - | - | - | - | - |
| F Client payroll taxes | - | 2,380 | - | 2,380 | - | - | - | - | - | - |
| G Client transportation | 10 | - | - | - | - | - | - | - | 10 | - |
| H Occupancy | 12,048 | 12,002 | 8,236 | 7,522 | - | - | - | - | 3,812 | 4,480 |
| I Program expenses | 10,471 | 12,715 | 5,349 | 6,973 | - | - | - | - | 5,122 | 5,742 |
| J Contract expenses | 14,527 | 3,101 | 14,193 | 3,480 | - | - | - | - | 334 | (379) |
| K General/administrative | 131,601 | 142,190 | 52,142 | 62,920 | - | - | - | - | 79,459 | 79,270 |
| L Miscellaneous | 3,382 | 5,821 | 2,057 | 4,071 | - | - | - | - | 1,325 | 1,750 |
| M Subtotal expenses | <u>433,460</u> | <u>467,837</u> | <u>216,527</u> | <u>250,626</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>216,933</u> | <u>217,211</u> |
| N Interest | - | - | - | - | - | - | - | - | - | - |
| O Depreciation and amortization | 3,770 | 3,278 | 2,672 | 2,117 | - | - | - | - | 1,098 | 1,161 |
| P Total expenses | <u>437,230</u> | <u>471,115</u> | <u>219,199</u> | <u>252,743</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>218,031</u> | <u>218,372</u> |
| Change in Net Assets | <u>\$ (75,047)</u> | <u>\$ (74,319)</u> | <u>\$ (35,146)</u> | <u>\$ (45,173)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (39,901)</u> | <u>\$ (29,146)</u> |

See Independent Auditor's Report on Supplementary Information