

RETIREMENT TRUST FOUNDATION

FINANCIAL STATEMENTS FOR THE YEARS
ENDED JUNE 30, 2010 AND 2009 AND
INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

International Board of Trustees Retirement Trust Foundation
Kansas City, Missouri

We have audited the accompanying statements of financial position of the Retirement Trust Foundation (the "Foundation") as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 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 the Organization'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. 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 the Foundation as of June 30, 2010 and 2009, and the results of its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Pickett, Chaney & McMullen LLP

Overland Park, Kansas
October 13, 2010

RETIREMENT TRUST FOUNDATION

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2010 AND 2009

ASSETS	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents	\$ 372,767	\$ 608,220
Investments	283,104	246,456
Accounts receivable	2,199	1,692
Other current assets	<u>26,232</u>	<u>26,754</u>
Total current assets	684,302	883,122
NOTES RECEIVABLE - Related Party	228,486	
RESTRICTED CASH - Tenants' security deposits	38,224	37,956
PROPERTY AND EQUIPMENT, net	<u>1,275,347</u>	<u>1,387,816</u>
TOTAL	<u>\$ 2,226,359</u>	<u>\$ 2,308,894</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 62,398	\$ 63,634
Accounts payable - related party	5	15,412
Deferred revenue	<u>2,400</u>	<u>3,300</u>
Total current liabilities	64,803	82,346
TENANTS' SECURITY DEPOSITS	<u>37,217</u>	<u>37,047</u>
Total Liabilities	<u>102,020</u>	<u>119,393</u>
NET ASSETS		
Unrestricted	<u>2,124,339</u>	<u>2,189,501</u>
Total	<u>2,124,339</u>	<u>2,189,501</u>
TOTAL	<u>\$ 2,226,359</u>	<u>\$ 2,308,894</u>

See notes to financial statements.

RETIREMENT TRUST FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES AND SUPPORT:		
Retirement center rentals	\$ 829,465	\$ 771,812
Contributions	100,129	73,198
Patio pavers revenue	2,400	3,700
Investment income (loss)	38,361	(86,768)
Convention events	2,132	2,374
Other	<u>26,463</u>	<u>106,929</u>
Total revenue and support	998,950	871,245
EXPENSES:		
Retirement center operations	668,398	649,296
Depreciation	205,657	213,897
Trustee travel and lodging	25,351	40,626
Professional services	18,363	27,042
Headquarters administration	120,792	149,605
Housing assistance	7,200	7,200
Newsletter		16,466
Other	<u>18,351</u>	<u>17,229</u>
Total expenses	1,064,112	1,121,361
CHANGE IN UNRESTRICTED NET ASSETS	(65,162)	(250,116)
UNRESTRICTED NET ASSETS, Beginning of year	<u>2,189,501</u>	<u>2,439,617</u>
UNRESTRICTED NET ASSETS, End of year	<u>\$ 2,124,339</u>	<u>\$ 2,189,501</u>

See notes to financial statements.

RETIREMENT TRUST FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (65,162)	\$ (250,116)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	205,657	213,897
Change in market value of investments	(34,503)	98,865
Changes in operating assets and liabilities:		
Accounts receivable	(507)	1,653
Other current assets	522	2,761
Accounts payable	(16,643)	24,262
Tenants' security deposits	170	(1,224)
Deferred revenue	(900)	(3,200)
	88,634	86,898
Net cash provided by operating activities	88,634	86,898
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in restricted cash	(268)	5,570
Purchases of property and equipment	(93,188)	(133,287)
Purchases of investments	(2,145)	(129,706)
Proceeds from sales or maturities of investments		125,000
Issuance of notes receivable - related party	(250,000)	
Repayments received on notes receivable - related party	21,514	
	(324,087)	(132,423)
Net cash used in investing activities	(324,087)	(132,423)
DECREASE IN CASH AND CASH EQUIVALENTS	(235,453)	(45,525)
CASH AND CASH EQUIVALENTS, Beginning of year	608,220	653,745
CASH AND CASH EQUIVALENTS, End of year	\$ 372,767	\$ 608,220
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for -		
Interest and taxes	\$ -	\$ -

See notes to financial statements.

RETIREMENT TRUST FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

1. DESCRIPTION OF THE ORGANIZATION

Nature of Activities – The Retirement Trust Foundation (the “Foundation”) was formed in 2000 and operates for the primary purpose of acquiring, maintaining and operating homes for needy and elderly administrative professionals and the raising, accumulating and preserving of a fund to be used exclusively for that purpose. The Foundation’s mission is to provide assistance for housing to administrative professionals age 55 and older who are in need. The Foundation owns and operates a 166-unit retirement center located in Rio Rancho, New Mexico. The administrative headquarters is located in Kansas City, Missouri.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents – For the purposes of the Statement of Cash Flows, the Foundation considers cash in operating bank accounts, highly liquid money market investments and certificates of deposit with original maturities of 90 days or less as cash equivalents. The Foundation occasionally maintains deposits in financial institutions in excess of Federally insured limits.

Investments – The Foundation’s investments are stated at fair value. Fair value is 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. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Property and Equipment – Property and equipment are stated at cost. Depreciation is computed using the straight-line method. Estimated useful lives range from 3 to 40 years. Depreciation expense was \$205,657 and \$213,897 for the years ended June 30, 2010 and 2009, respectively. Maintenance and repairs are expensed as incurred. Expenditures which significantly increase the value or extend the useful lives of assets are capitalized.

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Income Taxes – The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Contributions – All contributions are considered to be available for general use, unless specifically restricted by the donor. If contributions are received with donor restrictions and those restrictions are substantially met in the same fiscal year, such contributions are reflected as unrestricted contributions in the financial statements.

Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. 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 disclosures 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.

The Foundation invests in various securities, which may include U.S. Government securities, corporate debt instruments, corporate stocks and mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with investments securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Reclassification – Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 financial statement presentation.

New Accounting Standards – Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 855, *Subsequent Events*, provides guidance on management’s assessment of subsequent events and clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the Statement of Financial Position date through the date that the financial statements are issued, or are available to be issued. Management has evaluated events and transactions for subsequent events disclosures occurring after June 30, 2010, through October 13, 2010, the date the financial statements are available to be issued.

In January 2010, the FASB issued guidance which expanded the required disclosures about fair value measurements. In particular, this guidance requires (i) separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with the reasons for such transfers, (ii) information about purchases, sales, issuances and settlements to be presented separately in the reconciliation for Level 3 fair value measurements, (iii) fair value measurement disclosures for each class of assets and liabilities and (iv) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for fair value measurements that fall in either Level 2 or Level 3. This guidance is effective for annual reporting periods beginning after December 15, 2009 except for (ii) above which is effective for fiscal years beginning after December 15, 2010. The Company is currently evaluating the impact that this guidance will have on the Plan’s financial statement disclosures.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of June 30:

	2010	2009
Checking accounts	\$ 219,931	\$ 301,252
Money Market accounts	<u>152,836</u>	<u>306,968</u>
	<u>\$ 372,767</u>	<u>\$ 608,220</u>

4. INVESTMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That 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 FASB ASC 820 are described as follows:

Level 1 – Inputs consist of unadjusted quoted prices for identical assets in active markets that the plan has the ability to access.

Level 2 – Inputs consist of 1) quoted prices for similar assets in active markets, 2) quoted prices for identical or similar assets in inactive markets, 3) inputs other than quoted prices that are observable, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term.

Level 3 – Inputs consist of unobservable inputs where there is little or no market activity, and the reporting entity makes estimates and assumptions related to the pricing of the asset including assumptions regarding risk.

The assets 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.

Mutual funds and money market accounts – Valued at the net asset value (NAV) of shares held at year end based on published quoted prices.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation 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. There has been no change in the valuation methods used as of June 30, 2010 and 2009. Investments are reported at fair value as follows:

		<u>Fair Value Measurements Using:</u>		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2010:				
Mutual funds:				
Value	\$ 113,047	\$ 113,047		
Growth	139,047	139,047		
International	31,010	31,010		
Total mutual funds	283,104	283,104		
Money market funds	152,836	152,836		
	<u>\$ 435,940</u>	<u>\$ 435,940</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2009:				
Mutual funds	\$ 246,456	\$ 246,456		
Money market funds	306,968	306,968		
	<u>\$ 553,424</u>	<u>\$ 553,424</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes the investment income (loss) as included in the Statements of Activities for the year ended June 30:

	2010	2009
Interest and dividends	\$ 3,858	\$ 12,097
Appreciation (depreciation) in fair value	<u>34,503</u>	<u>(98,865)</u>
	<u>\$ 38,361</u>	<u>\$ (86,768)</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2010	2009
Land and improvements	\$ 307,073	\$ 307,073
Buildings and improvements	4,010,515	4,010,515
Furniture and equipment	<u>881,990</u>	<u>788,802</u>
	5,199,578	5,106,390
Accumulated depreciation	<u>(3,924,231)</u>	<u>(3,718,574)</u>
	<u>\$ 1,275,347</u>	<u>\$ 1,387,816</u>

6. MANAGEMENT AGREEMENT

The retirement center is managed for the Foundation by a professional property management company under an agreement that provides for a management fee based on a percentage of gross collections and is cancelable upon 30-days written notice by either party. The agreement, which expired in March 2010, provided a management fee of 5.25%. The agreement was extended in 2010 for an additional three year term, and expires in March 2013. Under the new agreement, the management fee was reduced to 4.5%.

7. NOTES RECEIVABLE AND RELATED PARTY TRANSACTIONS

On December 5, 2009, RTF loaned IAAP \$250,000. The loan bears interest at 6.5%, and is payable in monthly installments of principal and interest of \$4,892. The note matures in December 2014, and is unsecured.

International Association of Administrative Professionals® (IAAP), an affiliated organization that provides facilities and personnel to the Foundation, charged the Foundation \$120,792 and \$149,605 for facilities and services for the years ended June 30, 2010 and 2009, respectively.

Amounts of \$5 and \$15,412 are due to IAAP as of June 30, 2010 and 2009, respectively.

Effective July 1, 2010, IAAP and RTF entered into a written Management and Administrative Services Agreement (the "Agreement"). The Agreement is for a period of 2 years, and is cancellable by either party with 180 days notice. Under the terms of the agreement, RTF will pay IAAP a management fee based on actual direct and indirect expenses incurred in performance of the Agreement, plus an overhead charge of 10%. The fee in the first twelve months of the Agreement is not to exceed \$110,498. Services provided by IAAP to RTF that are not specified in the Agreement are charged at an hourly rate of \$40 per hour, plus 10%.
