

RETIREMENT TRUST FOUNDATION

FINANCIAL STATEMENTS FOR THE YEARS
ENDED JUNE 30, 2011 AND 2010 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, 2011 and 2010, 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, 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, 2011 and 2010, 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 25, 2011

RETIREMENT TRUST FOUNDATION

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2011 AND 2010

ASSETS	2011	2010
CURRENT ASSETS:		
Cash and cash equivalents	\$ 686,947	\$ 372,767
Investments	279,411	283,104
Accounts receivable	8,451	2,199
Other current assets	<u>36,565</u>	<u>26,232</u>
Total current assets	1,011,374	684,302
NOTES RECEIVABLE - Related party	183,289	228,486
RESTRICTED CASH - Tenants' security deposits	39,916	38,224
PROPERTY AND EQUIPMENT, net	<u>1,165,372</u>	<u>1,275,347</u>
TOTAL	<u>\$ 2,399,951</u>	<u>\$ 2,226,359</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 86,734	\$ 62,398
Accounts payable - related party	51,916	5
Deferred revenue	<u> </u>	<u>2,400</u>
Total current liabilities	138,650	64,803
TENANTS' SECURITY DEPOSITS	<u>36,747</u>	<u>37,217</u>
Total liabilities	<u>175,397</u>	<u>102,020</u>
NET ASSETS		
Unrestricted	<u>2,224,554</u>	<u>2,124,339</u>
Total	<u>2,224,554</u>	<u>2,124,339</u>
TOTAL	<u>\$ 2,399,951</u>	<u>\$ 2,226,359</u>

See notes to financial statements.

RETIREMENT TRUST FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES AND SUPPORT:		
Retirement center rentals	\$ 961,654	\$ 829,465
Contributions	81,683	100,129
Patio pavers revenue	2,800	2,400
Investment income	90,730	38,361
Convention events		2,132
Other	<u>40,941</u>	<u>26,463</u>
Total revenue and support	1,177,808	998,950
EXPENSES:		
Program services:		
Retirement center operations	876,780	874,055
Housing subsidy for admins in need	<u>18,300</u>	<u>7,200</u>
Total program services	895,080	881,255
Supporting services:		
Trustee travel and lodging	26,141	25,351
Professional services	16,079	18,363
Headquarters administration	117,428	120,792
Other	<u>22,865</u>	<u>18,351</u>
Total supporting services	<u>182,513</u>	<u>182,857</u>
Total expenses	1,077,593	1,064,112
CHANGE IN UNRESTRICTED NET ASSETS	100,215	(65,162)
UNRESTRICTED NET ASSETS, Beginning of year	<u>2,124,339</u>	<u>2,189,501</u>
UNRESTRICTED NET ASSETS, End of year	<u><u>\$ 2,224,554</u></u>	<u><u>\$ 2,124,339</u></u>

See notes to financial statements.

RETIREMENT TRUST FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 100,215	\$ (65,162)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	188,336	205,657
Change in market value of investments	(87,096)	(34,503)
Changes in operating assets and liabilities:		
Accounts receivable	(6,252)	(507)
Other current assets	(10,333)	522
Accounts payable	76,247	(16,643)
Tenants' security deposits	(470)	170
Deferred revenue	<u>(2,400)</u>	<u>(900)</u>
Net cash provided by operating activities	258,247	88,634
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in restricted cash	(1,692)	(268)
Purchases of property and equipment	(78,361)	(93,188)
Purchases of investments	(2,437)	(2,145)
Proceeds from sales or maturities of investments	93,226	
Issuance of notes receivable - related party		(250,000)
Repayments received on notes receivable - related party	<u>45,197</u>	<u>21,514</u>
Net cash provided by (used in) investing activities	<u>55,933</u>	<u>(324,087)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	314,180	(235,453)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>372,767</u>	<u>608,220</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 686,947</u>	<u>\$ 372,767</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for -		
Interest and taxes	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

RETIREMENT TRUST FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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 Vista Grande, a 166-unit retirement center located in Rio Rancho, New Mexico. The administrative headquarters is located in Kansas City, Missouri.

Housing Subsidy for Admins in Need (HSAN) – This service provides financial assistance to qualified retired administrative professionals living in a retirement community (other than Vista Grande). To qualify for assistance, applicants must be 55 or older, and must meet the HUD public housing / section 8 income limits.

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 Statements 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 \$188,336 and \$205,657 for the years ended June 30, 2011 and 2010, 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 – No provision for income taxes has been recorded, as the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation accounts for uncertain tax positions in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Codification topic 740 *Income Taxes*. *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Foundation to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Foundation and determined that

no positions exist that require adjustment or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to 2008.

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 Statements 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 2010 financial statements have been reclassified to conform to the 2011 financial statement presentation.

Date of Management's Review – Subsequent events have been evaluated through October 25, 2011, the date that these financial statements were available to be issued, and there were no material events requiring recognition or disclosure.

New Accounting Pronouncements – In January 2010, the FASB issued guidance which expanded the required disclosures about fair value measurements. This guidance requires purchases, sales, issuances and settlements to be presented separately in the reconciliation for Level 3 fair value measurements. This guidance is effective for annual reporting periods beginning after December 15, 2010. The Foundation is currently evaluating the impact that this guidance will have on the Foundation's financial statement disclosures.

3. CASH AND CASH EQUIVALENTS

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

	2011	2010
Checking accounts	\$ 366,210	\$ 219,931
Money Market accounts	<u>320,737</u>	<u>152,836</u>
	<u>\$ 686,947</u>	<u>\$ 372,767</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. There have been no changes in the methodologies used at June 30, 2011 and 2010:

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:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
June 30, 2011:				
Mutual funds:				
Value	\$ 149,258	\$ 149,258		
Growth	90,140	90,140		
International	40,013	40,013		
Total mutual funds	279,411	279,411		
Money market funds	320,737	320,737		
	<u>\$ 600,148</u>	<u>\$ 600,148</u>	<u>\$ -</u>	<u>\$ -</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>

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

	2011	2010
Interest and dividends	\$ 3,634	\$ 3,858
Appreciation in fair value	<u>87,096</u>	<u>34,503</u>
	<u>\$ 90,730</u>	<u>\$ 38,361</u>

5. PROPERTY AND EQUIPMENT

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

	2011	2010
Land and improvements	\$ 307,073	\$ 307,073
Buildings and improvements	4,026,812	4,010,515
Furniture and equipment	<u>928,244</u>	<u>881,990</u>
	5,262,129	5,199,578
Accumulated depreciation	<u>(4,096,757)</u>	<u>(3,924,231)</u>
	<u>\$ 1,165,372</u>	<u>\$ 1,275,347</u>

6. RETIREMENT CENTER 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 4.5% of gross collections and is cancelable upon 30-days written notice by either party. The current agreement expires in March 2013.

7. NOTES RECEIVABLE AND RELATED PARTY TRANSACTIONS

On December 5, 2009, RTF loaned International Association of Administrative Professionals® (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.

IAAP, an affiliated organization that provides facilities and personnel to the Foundation, charged the Foundation \$117,428 and \$120,792 for facilities and services for the years ended June 30, 2011 and 2010, respectively.

Amounts of \$51,916 and \$5 are due to IAAP as of June 30, 2011 and 2010, 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% overhead.
