

**THE PARTNERSHIP FOR OUR KIDS and
ALL OUR KIDS, INC. FOUNDATION**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010
(WITH INDEPENDENT AUDITOR'S REPORT)

**THE PARTNERSHIP FOR OUR KIDS
and ALL OUR KIDS, INC. FOUNDATION**

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INDEPENDENT AUDITOR'S REPORT ON
FINANCIAL STATEMENTS

To the Board of Directors
The Partnership for Our Kids
Omaha, Nebraska

We audited the accompanying consolidated statements of financial position of the Partnership for Our Kids and All Our Kids, Inc. Foundation (collectively, the Organization) as of December 31, 2011 and 2010, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Organization 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 U.S.A. Those standards require that we plan and perform audits 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Partnership for Our Kids and All Our Kids, Inc. Foundation as of December 31, 2011 and 2010, and the results of activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the U.S.A.

Frankel Zacharia LLC

June 14, 2012

**THE PARTNERSHIP FOR OUR KIDS
and ALL OUR KIDS, INC. FOUNDATION**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31	2011	2010
ASSETS		
Cash and cash equivalents (Note 1.E.)	\$ 416,932	620,233
Certificates of deposit	--	650,000
Marketable securities (Note 3)	5,214,813	4,927,624
Pledges receivable (Note 4)	1,045,000	1,098,025
Interest receivable	3,251	9,080
Other assets	46,670	43,719
Software, net of accumulated amortization (Note 1.G.)	8,389	--
TOTAL ASSETS	\$ 6,735,055	7,348,681
LIABILITIES AND NET ASSETS		
LIABILITIES		
Scholarships payable	\$ 33,065	97,683
Deferred revenue	73,644	--
Other payables and accrued expenses	116,292	93,743
Total liabilities	223,001	191,426
NET ASSETS		
Unrestricted	458,463	813,191
Temporarily restricted (Note 7)	5,953,591	6,344,064
Permanently restricted (Note 7)	100,000	--
Total net assets	6,512,054	7,157,255
TOTAL LIABILITIES AND NET ASSETS	\$ 6,735,055	7,348,681

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACTIVITIES

**THE PARTNERSHIP FOR OUR KIDS
and ALL OUR KIDS, INC. FOUNDATION**

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31

2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and grants	\$ 435,177	1,067,915	100,000	1,603,092
Special events revenue	76,078	--	--	76,078
Investment income (loss) (Note 3)	1,923	(134,844)	--	(132,921)
Other income	656	--	--	656
Total revenues, gains and other support	513,834	933,071	100,000	1,546,905
Net assets released from restrictions (Note 8)	1,323,544	(1,323,544)	--	--
EXPENSES AND OTHER DEDUCTIONS				
Program expenses	1,523,935	--	--	1,523,935
General and administrative	468,309	--	--	468,309
Fundraising	199,862	--	--	199,862
Total expenses and other deductions	2,192,106	--	--	2,192,106
INCREASE (DECREASE) IN NET ASSETS	(354,728)	(390,473)	100,000	(645,201)
Net assets at beginning of year	813,191	6,344,064	--	7,157,255
NET ASSETS AT END OF YEAR	\$ 458,463	5,953,591	100,000	6,512,054

See accompanying notes to consolidated financial statements

2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and grants	\$ 703,279	708,223	--	1,411,502
Special events revenue	210,230	--	--	210,230
Investment income (loss) (Note 3)	2,871	413,823	--	416,694
Other income	443	--	--	443
Total revenues, gains and other support	916,823	1,122,046	--	2,038,869
Net assets released from restrictions (Note 8)	1,267,015	(1,267,015)	--	--
EXPENSES AND OTHER DEDUCTIONS				
Program expenses	1,806,355	--	--	1,806,355
General and administrative	210,204	--	--	210,204
Fundraising	319,459	--	--	319,459
Total expenses and other deductions	2,336,018	--	--	2,336,018
INCREASE (DECREASE) IN NET ASSETS	(152,180)	(144,969)	--	(297,149)
Net assets at beginning of year	965,371	6,489,033	--	7,454,404
NET ASSETS AT END OF YEAR	\$ 813,191	6,344,064	--	7,157,255

CONSOLIDATED STATEMENTS OF
FUNCTIONAL EXPENSES

**THE PARTNERSHIP FOR OUR KIDS
and ALL OUR KIDS, INC. FOUNDATION**

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	Group Mentoring	Goal Setting	Scholarships and other	Total Program Expense
2011				
Salaries	\$ 560,511	302,981	--	863,492
Payroll taxes	41,747	21,943	--	63,690
Employee benefits	50,922	43,469	--	94,391
Total personnel	653,180	368,393	--	1,021,573
Professional fees and contract services	14,324	89	--	14,413
Dues Subscriptions	457	967	--	1,424
Office Supplies	--	1,898	--	1,898
Awards and incentives	7,765	117,500	--	125,265
Outside printing	--	7,213	--	7,213
Occupancy	48,803	25,189	--	73,992
Telephone	7,508	3,875	--	11,383
Insurance	17,666	9,118	--	26,784
Equipment	7,773	4,012	--	11,785
Professional development	3,124	348	--	3,472
Travel and meals	79,222	20,792	--	100,014
Support to individuals, gifts and grants	--	--	112,899	112,899
Mentors and Goal Buddies	1,343	10,477	--	11,820
Service fees	--	--	--	--
Other	--	--	--	--
Total	\$ 841,165	569,871	112,899	1,523,935
2010				
Salaries	\$ 741,440	283,235	--	1,024,675
Payroll taxes	50,590	20,175	--	70,765
Employee benefits	83,393	35,232	--	118,625
Total personnel	875,423	338,642	--	1,214,065
Professional fees and contract services	13,633	--	--	13,633
Dues Subscriptions	200	1,164	--	1,364
Office Supplies	185	392	--	577
Awards and incentives	12,799	124,466	--	137,265
Outside printing	--	4,098	--	4,098
Occupancy	49,033	23,854	--	72,887
Telephone	8,175	3,977	--	12,152
Insurance	20,020	9,739	--	29,759
Equipment	8,535	4,152	--	12,687
Professional development	3,911	953	--	4,864
Travel and meals	63,309	9,358	--	72,667
Support to individuals, gifts and grants	--	--	217,642	217,642
Mentors and Goal Buddies	1,314	11,381	--	12,695
Service fees	--	--	--	--
Other	--	--	--	--
Total	\$ 1,056,537	532,176	217,642	1,806,355

See accompanying notes to consolidated financial statements

	Management and general	Fundraising	Total Supporting Activities	Total Expenses
Salaries	\$ 253,059	105,680	358,739	1,222,231
Payroll taxes	35,322	8,084	43,406	107,096
Employee benefits	33,533	8,984	42,517	136,908
Total personnel	321,914	122,748	444,662	1,466,235
Professional fees and contract services	56,267	743	57,010	71,423
Dues Subscriptions	9,152	20,153	29,305	30,729
Office Supplies	29,225	3,776	33,001	34,899
Awards and incentives	694	4,897	5,591	130,856
Outside printing	6,444	10,502	16,946	24,159
Occupancy	12,594	11,020	23,614	97,606
Telephone	1,938	1,695	3,633	15,016
Insurance	5,584	3,989	9,573	36,357
Equipment	2,006	1,755	3,761	15,546
Professional development	60	--	60	3,532
Travel and meals	232	18,845	19,077	119,091
Support to individuals, gifts and grants	--	--	--	112,899
Mentors and Goal Buddies	1,376	829	2,205	14,025
Service fees	20,389	(217)	20,172	20,172
Other	434	(873)	(439)	(439)
Total	\$ 468,309	199,862	668,171	2,192,106
Salaries	\$ 22,068	151,838	173,906	1,198,581
Payroll taxes	1,073	23,928	25,001	95,766
Employee benefits	36,347	12,000	48,347	166,972
Total personnel	59,488	187,766	247,254	1,461,319
Professional fees and contract services	41,168	--	41,168	54,801
Dues Subscriptions	11,152	8,606	19,758	21,122
Office Supplies	28,509	1,217	29,726	30,303
Awards and incentives	36	2,899	2,935	140,200
Outside printing	13,519	7,517	21,036	25,134
Occupancy	10,602	10,593	21,195	94,082
Telephone	1,768	1,105	2,873	15,025
Insurance	5,310	2,705	8,015	37,774
Equipment	1,845	1,153	2,998	15,685
Professional development	1,873	--	1,873	6,737
Travel and meals	6,153	80,830	86,983	159,650
Support to individuals, gifts and grants	--	--	--	217,642
Mentors and Goal Buddies	4,188	--	4,188	16,883
Service fees	22,180	3,633	25,813	25,813
Other	2,413	11,435	13,848	13,848
Total	\$ 210,204	319,459	529,663	2,336,018

CONSOLIDATED STATEMENTS OF CASH FLOW

**THE PARTNERSHIP FOR OUR KIDS
and ALL OUR KIDS, INC. FOUNDATION**

CONSOLIDATED STATEMENTS OF CASH FLOW

YEARS ENDED DECEMBER 31	2011	2010
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Received from donors and granting agencies	\$ 1,806,495	1,999,813
Interest and dividends received	194,840	170,986
Paid to suppliers and employees	(2,233,673)	(2,306,828)
Net cash used by operating activities	(232,338)	(136,029)
Cash flows from investing activities		
Purchase of software	(11,842)	--
Proceeds from sale of marketable securities and certificates of deposit	1,782,500	1,148,948
Purchase of marketable securities and certificates of deposit	(1,741,621)	(3,588,581)
Net cash provided (used) by investing activities	29,037	(2,439,633)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(203,301)	(2,575,662)
Cash and cash equivalents at beginning of year	620,233	3,195,895
Cash and cash equivalents at end of year	\$ 416,932	620,233

See accompanying notes to consolidated financial statements

	2011	2010
Reconciliation of net cash flows from operating activities		
Decrease in net assets	\$ (645,201)	(297,149)
Reconciling adjustments		
Realized and unrealized loss (gain) on marketable securities	321,932	(242,129)
Amortization	3,454	--
(Increase) decrease in operating assets		
Pledges receivable	53,025	319,669
Government grants receivable	--	72,682
Interest receivable	5,829	(3,579)
Other assets	(7,186)	34,031
Increase (decrease) in operating liabilities		
Scholarships payable	(64,618)	8,175
Deferred revenue	73,644	(29,379)
Other payables and accrued expenses	26,783	1,650
Net cash used by operating activities	\$ (232,338)	(136,029)

THE PARTNERSHIP FOR OUR KIDS and ALL OUR KIDS, INC. FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

1. Organization and Summary of Significant Accounting and Reporting Policies

The Partnership for Our Kids (the “Partnership”) operates comprehensive mentoring programs for at risk youth in the greater Omaha, Nebraska metropolitan area. The Partnership, a Nebraska non-profit corporation, does business as All Our Kids, Inc., providing services to high school age children, and as The Winners Circle Educational Foundation, providing services to elementary and middle school age children. The Partnership was established in 1992 and prior to 2008 was known as All Our Kids, Inc. In September 2007, The Winners Circle Educational Foundation merged with All Our Kids, Inc., the surviving entity. In January 2008, the Board of Directors adopted an amendment to change the name of All Our Kids, Inc. to The Partnership for Our Kids. Funding for the program has been raised from individuals, churches, foundations and government grants. The Partnership is a not-for-profit charitable organization, established to operate exclusively for the benefit of, to perform the functions of, or carry out the purposes of the Omaha Community Foundation, which appoints up to eleven directors of the Partnership.

All Our Kids, Inc. Foundation (the “Foundation”), established in September 2003, operates a comprehensive scholarship program and provides funding for other programs and research for at-risk youth in the greater Omaha, Nebraska metropolitan area. Funding for scholarships and other programs has been raised from individuals, churches and other foundations. The Foundation is a not-for-profit charitable organization, established to operate exclusively for the benefit of, to perform the functions of, or carry out the purposes of The Partnership for Our Kids, which appoints the majority of the Foundation Board.

- A. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the U.S.A. All significant intercompany balances and transactions have been eliminated in consolidation.
- B. Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the U.S.A. Estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Because of the inherent uncertainties in this process, it is likely that actual results will vary for the estimates.
- C. The financial statements are prepared in accordance with Accounting Standards Codification section 958, Not-for-Profit Entities, issued by the Financial Accounting Standards Board (FASB). Accordingly, net assets are classified as unrestricted, temporarily restricted or permanently restricted, defined as follows:

The use of unrestricted net assets is not limited by donor-imposed stipulations and are, therefore, available for the general operations of the Organization.

Temporarily restricted net assets result from contributions and revenues the use of which is limited by donor- or grant-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets result from contributions and revenues the use of which is limited by stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Continued

THE PARTNERSHIP FOR OUR KIDS and ALL OUR KIDS, INC. FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2011 AND 2010

1. Organization and Summary of Significant Accounting and Reporting Policies - Continued

- D. Unconditional pledges expected to be collected within one year are recognized at fair value as support in the period in which the promise to give is received. Unconditional pledges not expected to be collected within one year are discounted to an estimated present value. Amortization of the discount is charged to gifts and grants. Conditional pledges are not included as support until the conditions are substantially met.

Gifts and grants are reported as restricted support if expected to be collected in the future or are received with donor-imposed stipulations that limit the use of the benefits. When a donor or grantor imposed stipulation expires (that is, when the time restriction expires or the specific purpose is met), temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Management considers pledges receivable to be fully collectible and accordingly, no allowance is necessary. Pledges that prove to be uncollectible after reasonable collection efforts will be charged to operations when recovery is unlikely.

- E. Cash equivalents include short-term, highly liquid investments, so close to maturity (generally three months or less when acquired) that the risk of change in value from interest rate fluctuations, and market and credit conditions, is not significant, and are readily convertible into cash. Cash and cash equivalents include the following at December 31, 2011:

Demand and savings accounts (FDIC Insured)	\$ 375,500
Morgan Stanley Active Assets Money Trust	41,432
<u>Total cash and cash equivalents</u>	<u>\$ 416,932</u>

- F. Marketable securities are reported at fair value. Dividend and interest income are recognized when earned. Changes in the fair value of investments are reported in the statement of activities.
- G. Capitalized software includes costs incurred to purchase externally developed software applications. The cost of the software is being amortized over two years.
- H. Volunteers provide mentoring services. The services would not be provided without volunteer help and, therefore, the value of the services is not reported in the accompanying financial statements.

Continued

THE PARTNERSHIP FOR OUR KIDS and ALL OUR KIDS, INC. FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2011 AND 2010

1. Organization and Summary of Significant Accounting and Reporting Policies – Continued

- I. The Partnership and the Foundation are exempt from income taxes under Section 509(a)(3)(A) of the Internal Revenue Code. Accordingly, no income taxes are included in these financial statements.

Accounting standards require disclosure and recognition in financial statements of positions taken in a tax return about the treatment of transactions and events that more than likely would not be sustained upon examination by tax authorities. Tax positions relative to a not-for-profit include, but are not limited to, activities that may endanger the Organization's exempt purpose and status as an exempt organization. The Organization believes it is in compliance with all relevant tax laws and regulations and has no significant uncertain tax positions. Tax returns for 2008 through 2011 are open and subject to examination by the Internal Revenue Service, however the Organization has received no notice of intent to do so.

- J. Management evaluated transactions and events occurring subsequent to December 31, 2011, and through the date of the auditor's report (the date the financial statements were available to be issued), to determine whether any events should be recognized or disclosed in these statements. There were no transactions or events in the subsequent period requiring disclosure or recognition in the statements.

- K. Certain prior year balances have been reclassified to conform with current year presentation.

2. Fair Value Measurements

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. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level II: Value is generally determined by methods other than quoted prices in active US markets that are observable for the asset or liability.

Level III: Assets for which there is little, if any, market activity or observable inputs. The determination of fair value is based on the best information in the circumstances and may require significant management judgment or estimation.

The 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.

Continued

THE PARTNERSHIP FOR OUR KIDS and ALL OUR KIDS, INC. FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2011 AND 2010

2. Fair Value Measurements - Continued

The fair value of marketable securities was determined by the following category:

	Level 1	Level 2	Level 3	Total
December 31, 2011				
Mutual funds				
Equity	\$ 2,200,786	--	--	2,200,786
Fixed income	2,914,064	--	--	2,914,064
Debt securities	--	99,963	--	99,963
Total marketable securities	\$ 5,114,850	99,963	--	5,214,813
December 31, 2010				
Mutual Funds				
Equity	2,096,072	--	--	2,096,072
Fixed income	2,831,552	--	--	2,831,552
Total marketable securities	\$ 4,927,624	--	--	4,927,624

Debt securities are valued based on the quoted prices available in active markets for comparable items.

3. Marketable Securities

Marketable securities at December 31, 2011, consisted of mutual funds and debt securities as follows:

	Cost	Market	Unrealized Gain (Loss)
Equity Mutual Funds			
Fairholme Fund	\$ 445,081	335,178	(109,903)
Oakmark Equity & Income Fund Class I	422,925	443,805	20,880
Janus Perkins Mid Cap Value Class I	373,523	366,439	(7,084)
Royce Special Equity Investment Fund	362,904	391,019	28,115
Thornburg International Value Fund Class I	471,017	461,028	(9,989)
Vanguard Dividend Appreciation ETF	106,520	103,835	(2,685)
Parnassus Equity Income Fund	104,556	99,482	(5,074)
Fixed Income Mutual Funds			
Ivy Limited – Term Bond Fund Class I	625,386	629,428	4,042
PIMCO GNMA Fund P Class	714,508	727,184	12,676
PIMCO Short Term Fund P Class	610,806	601,181	(9,625)
PIMCO Total Return Fund P Class	961,551	956,271	(5,280)
Debt Securities			
Omaha, NE Housing Authority Revenue Bonds	99,963	99,963	--
December 31, 2011	\$ 5,298,740	5,214,813	(83,927)
December 31, 2010	\$ 4,689,667	4,927,624	237,957

Continued

THE PARTNERSHIP FOR OUR KIDS and ALL OUR KIDS, INC. FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2011 AND 2010

3. Marketable Securities - Continued

Results of investing activities follow:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 189,011	174,565
Realized loss on sale of Marketable Securities	(48)	--
Change in unrealized gain on Marketable Securities	(321,884)	242,129
Investment income (loss)	(132,921)	416,694
Investment management fee	(25,173)	(19,159)
<u>Net investment income (loss)</u>	<u>\$ (158,094)</u>	<u>397,535</u>

4. Pledges Receivable

Pledges receivable are recognized at their fair value at the time of the gift. Unconditional pledges receivable are expected to be collected in full during 2012.

5. Related Party Transactions

Burlington Capital Group LLC ("Burlington"), an entity controlled by directors of the Partnership, occasionally advances funds on behalf of and is reimbursed by the Partnership. The Partnership had a payable of approximately \$13,100 and \$2,500 to Burlington at December 31, 2011 and 2010, respectively. In addition, Burlington contributes to the Partnership throughout the year to fund operations. These contributions are recorded as gifts and grants and totaled \$50,000 in both 2011 and 2010.

The Partnership leases office facilities under agreements with Burlington that expire in August 2013. Lease costs under these arrangements were approximately \$89,000 in both 2011 and 2010. Future minimum lease payments associated with these leases are approximately \$89,000 in 2012 and \$35,000 in 2013.

Certain officers and members of the Partnership and the Foundation Board of Directors made contributions to the Organization of approximately \$1,149,000 and \$856,000 in 2011 and 2010, respectively.

Under an agreement with the Omaha Community Foundation (OCF), the Partnership and the Foundation make quarterly payments to OCF based upon a percentage of net assets for support services provided by OCF. Costs under this agreement were \$19,600 for 2011 and \$21,000 for 2010, respectively.

6. Concentrations

In 2011, approximately 67% of gifts, grants and special events revenue was received from two donors and at December 31, 2011 approximately 98% of pledges receivable were due from the same two donors.

The Foundation regularly maintains cash balances in excess of FDIC insurance limits. In addition, 56% of marketable securities held at December 31, 2011, were in four securities.

Continued

THE PARTNERSHIP FOR OUR KIDS and ALL OUR KIDS, INC. FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2011 AND 2010

7. Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<u>2011</u>	<u>2010</u>
Purpose restrictions	\$ 4,931,900	5,252,559
Time restrictions	1,021,691	1,091,505
	<u>\$ 5,953,591</u>	<u>6,344,064</u>

Permanently restricted net assets consist of an endowed scholarship fund. Donor restrictions stipulate that the principal be retained permanently, and that scholarship funds must come from the annual investment income gained on the principal.

Interpretation of Relevant Law

The Foundation has informally interpreted the Uniform Prudent Management of Institutional Funds Act (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 Foundation 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation 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 Foundation 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 Foundation
- (7) The investment policies of the Foundation

Continued

THE PARTNERSHIP FOR OUR KIDS and ALL OUR KIDS, INC. FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2011 AND 2010

7. Restricted Net Assets - Continued

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2009	\$ 178,744	4,907,538	--	5,086,282
Investment return:				
Investment income	--	168,465	--	168,465
Net increase in value (realized and unrealized)	--	241,779	--	241,779
Total investment return	--	410,244	--	410,244
Gifts and grants	--	61,348	--	61,348
Appropriation of endowment assets for expenditure	--	(256,070)	--	(256,070)
Endowment net assets, December 31, 2010	\$ 178,744	5,123,060	--	5,301,804
Investment return:				
Investment income	--	192,870	--	192,870
Net decrease in value (realized and unrealized)	--	(321,884)	--	(321,884)
Total investment return	--	(129,014)	--	(129,014)
Gifts and grants	--	--	100,000	100,000
Appropriation of endowment assets for expenditure	--	(162,691)	--	(162,691)
Endowment net assets, December 31, 2011	\$ 178,744	4,831,355	100,000	5,110,099

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. At December 31, 2011, the fair value of assets associated with the permanently restricted endowment is deficient by approximately \$5,500. However, unrestricted net assets are available for this deficiency.

Continued

THE PARTNERSHIP FOR OUR KIDS and ALL OUR KIDS, INC. FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2011 AND 2010

7. Restricted Net Assets - Continued

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to preserve the principal and purchasing power of the endowment fund. 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 provide a return on investment consistent with the spending policy and sufficient to increase the long-term value of the fund net of inflation. The Foundation's investment goal of the endowment fund is to earn a total rate of return of at least 5% on an annual basis. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

The primary objective is the preservation of capital with a secondary emphasis on maximizing the endowment's total return, both income and capital appreciation. In order to do so, the Foundation's policy is to invest assets with an allocation in equities ranging from a minimum of 30% to a maximum of 50% of the endowment, with the balance being invested in fixed income securities. The equity portfolio provides appropriate diversification, with no individual equity holding exceeding 10% of the entire equity portfolio at the time of purchase. Additionally, no more than 10% of the fixed income portfolio is invested in securities of a single issuer, at the time of purchase, except for certain exceptions detailed in the policy. A minimum cash reserve of 5% of the total portfolio market value will be maintained at all times.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has an agreement with a donor that funds distributed from the endowment through 2018 will be used only for scholarships and grants to at-risk youth as well as for other expenses necessary to enable at-risk youth to qualify, continue or restart training education or training beyond high school. Annual distributions are limited to the greater of (a) five percent of the value of the endowment fund at the beginning of the calendar year or (b) the net return of the endowment fund. Accordingly, the Foundation's investment objectives are an annual rate of return of at least 5%, which is equal to the annual limitation on the spending policy.

8. Net Assets Released from Restrictions

Net assets released from donor restrictions were as follows:

	<u>2011</u>	<u>2010</u>
Purpose restrictions accomplished –		
Scholarships	\$ 77,899	217,642
Other program expenses	35,000	--
General and administrative expenses	72,918	114,455
Time restrictions expired	1,137,727	934,918
	<u>\$ 1,323,544</u>	<u>1,267,015</u>

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

To the Board of Directors
The Partnership for Our Kids
Omaha, Nebraska

We have audited the financial statements of the Partnership for Our Kids and All Our Kids, Inc. Foundation as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated June 14, 2012, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of financial position, activities and cash flows by entity are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to those financial statements as a whole.

Frankel Zacharia LLC

June 14, 2012

First National Plaza
11404 West Dodge Road, Suite 700
Omaha, NE 68154-2576

tel 402.496.9100
fax 402.496.1024

THE PARTNERSHIP FOR OUR KIDS

SUPPLEMENTARY SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

	Group Mentoring	Goal Setting	2011 Total	2010 Total
ASSETS				
Cash and cash equivalents	\$ 57,088	318,412	375,500	138,370
Certificates of deposit	--	--	--	650,000
Marketable securities	--	99,963	99,963	--
Pledges receivable	620,000	425,000	1,045,000	1,098,025
Other assets	46,011	4,894	50,905	43,719
Software, net of accumulated amortization	8,389	--	8,389	--
TOTAL ASSETS	\$ 731,488	848,269	1,579,757	1,930,114
LIABILITIES AND NET ASSETS				
LIABILITIES				
Deferred revenue	\$ 73,644	--	73,644	--
Other payables and accrued expenses	66,123	41,286	107,409	83,744
Total liabilities	139,767	41,286	181,053	83,744
NET ASSETS				
Unrestricted	(153,513)	433,232	279,719	634,447
Temporarily restricted	745,234	373,751	1,118,985	1,211,923
Total net assets	591,721	806,983	1,398,704	1,846,370
TOTAL LIABILITIES AND NET ASSETS	\$ 731,488	848,269	1,579,757	1,930,114

THE PARTNERSHIP FOR OUR KIDS
SUPPLEMENTARY SCHEDULE OF ACTIVITIES

THE PARTNERSHIP FOR OUR KIDS

SUPPLEMENTARY SCHEDULE OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	Group Mentoring			Goal Setting		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT						
Gifts and grants	\$ 264,966	669,184	934,150	170,211	398,731	568,942
Special events revenue	76,078	--	76,078	--	--	--
Investment income	458	--	458	1,465	--	1,465
Other income	--	--	--	656	--	656
Total revenues, gains and other support	341,502	669,184	1,010,686	172,332	398,731	571,063
Net assets released from restrictions	694,420	(694,420)	--	466,433	(466,433)	--
EXPENSES AND OTHER DEDUCTIONS						
Program expenses	883,359	--	883,359	527,677	--	527,677
General and administrative	169,749	--	169,749	248,768	--	248,768
Fundraising	91,802	--	91,802	108,060	--	108,060
Total expenses and other deductions	1,144,910	--	1,144,910	884,505	--	884,505
DECREASE IN NET ASSETS	(108,988)	(25,236)	(134,224)	(245,740)	(67,702)	(313,442)
Net assets at beginning of year	(44,525)	770,470	725,945	678,972	441,453	1,120,425
NET ASSETS AT END OF YEAR	\$ (153,513)	745,234	591,721	433,232	373,751	806,983

	2011 Total			2010 Total		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT						
Gifts and grants	\$ 435,177	1,067,915	1,503,092	703,279	658,064	1,361,343
Special events revenue	76,078	--	76,078	210,230	--	210,230
Investment income	1,923	--	1,923	2,871	--	2,871
Other income	656	--	656	443	--	443
Total revenues, gains and other support	513,834	1,067,915	1,581,749	916,823	658,064	1,574,887
Net assets released from restrictions	1,160,853	(1,160,853)	--	1,007,470	(1,007,470)	--
EXPENSES AND OTHER DEDUCTIONS						
Program expenses	1,411,036	--	1,411,036	1,588,713	--	1,588,713
General and administrative	418,517	--	418,517	168,301	--	168,301
Fundraising	199,862	--	199,862	319,459	--	319,459
Total expenses and other deductions	2,029,415	--	2,029,415	2,076,473	--	2,076,473
DECREASE IN NET ASSETS	(354,728)	(92,938)	(447,666)	(152,180)	(349,406)	(501,586)
Net assets at beginning of year	634,447	1,211,923	1,846,370	786,627	1,561,329	2,347,956
NET ASSETS AT END OF YEAR	\$ 279,719	1,118,985	1,398,704	634,447	1,211,923	1,846,370

THE PARTNERSHIP FOR OUR KIDS

SUPPLEMENTARY SCHEDULE OF CASH FLOW

YEARS ENDED DECEMBER 31, 2011 and 2010

	Group Mentoring	Goal Setting	2011 Total	2010 Total
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS				
Cash flows from operating activities				
Received from donors and granting agencies	\$ 1,123,128	583,367	1,706,495	1,934,988
Interest received	458	1,465	1,923	2,521
Paid to suppliers and employees	(1,141,360)	(868,123)	(2,009,483)	(2,055,805)
Net cash used by operating activities	(17,774)	(283,291)	(301,065)	(118,296)
Cash flows from investing activities				
Purchases of software	(11,842)	--	(11,842)	--
Purchases of marketable securities and certificates of deposit	--	(1,149,963)	(1,149,963)	(1,598,948)
Proceeds from sale of marketable securities and certificates of deposit	--	1,700,000	1,700,000	1,148,948
Net cash provided (used) by investing activities	(11,842)	550,037	538,195	(450,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(29,616)	266,746	237,130	(568,296)
Cash and cash equivalents at beginning of year	86,704	51,666	138,370	706,666
Cash and cash equivalents at end of year	\$ 57,088	318,412	375,500	138,370
Reconciliation of net cash flows from operating activities				
Decrease in net assets	\$ (134,224)	(313,442)	(447,666)	(501,586)
Realized and unrealized (gains) losses on marketable securities	--	--	--	(350)
Amortization	3,454	--	3,454	--
(Increase) decrease in operating assets				
Pledges receivable	39,256	13,769	53,025	319,669
Government grants receivable	--	--	--	72,682
Other receivable	(18,185)	10,999	(7,186)	19,365
Increase (decrease) in operating liabilities				
Deferred revenue	73,644	--	73,644	(29,379)
Other payables	18,281	5,383	23,664	1,303
Net cash used by operating activities	\$ (17,774)	(283,291)	(301,065)	(118,296)

ALL OUR KIDS, INC. FOUNDATION

SUPPLEMENTARY SCHEDULE OF FINANCIAL POSITION

DECEMBER 31	2011	2010
ASSETS		
Cash and cash equivalents	\$ 41,432	481,863
Marketable securities	5,114,850	4,927,624
Interest receivable	3,251	9,080
TOTAL ASSETS	\$ 5,159,533	5,418,567
LIABILITIES AND NET ASSETS		
LIABILITIES		
Scholarships payable	\$ 33,065	97,683
Other payables and accrued expenses	13,118	9,999
Total liabilities	46,183	107,682
NET ASSETS		
Unrestricted	178,744	178,744
Temporarily restricted	4,834,606	5,132,141
Permanently restricted	100,000	--
Total net assets	5,113,350	5,310,885
TOTAL LIABILITIES AND NET ASSETS	\$ 5,159,533	5,418,567

ALL OUR KIDS, INC. FOUNDATION
SUPPLEMENTARY SCHEDULE OF ACTIVITIES

ALL OUR KIDS, INC. FOUNDATION**SUPPLEMENTARY SCHEDULE OF ACTIVITIES****YEARS ENDED DECEMBER 31****2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and grants	\$ --	--	100,000	100,000
Investment income (loss)	--	(134,844)	--	(134,844)
Total revenues, gains and other support	--	(134,844)	100,000	(34,844)
Net assets released from restrictions	162,691	(162,691)	--	--
EXPENSES AND OTHER DEDUCTIONS				
Scholarships	77,899	--	--	77,899
Other program expenses	35,000	--	--	35,000
General and administrative	49,792	--	--	49,792
Total expenses and other deductions	162,691	--	--	162,691
INCREASE (DECREASE) IN NET ASSETS	--	(297,535)	100,000	(197,535)
Net assets at beginning of year	178,744	5,132,141	--	5,310,885
NET ASSETS AT END OF YEAR	\$ 178,744	4,834,606	100,000	5,113,350

2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and grants	\$ --	50,159	--	50,159
Investment income (loss)	--	413,823	--	413,823
Total revenues, gains and other support	--	463,982	--	463,982
Net assets released from restrictions	259,545	(259,545)	--	--
EXPENSES AND OTHER DEDUCTIONS				
Scholarships	217,642	--	--	217,642
Other program expenses	--	--	--	--
General and administrative	41,903	--	--	41,903
Total expenses and other deductions	259,545	--	--	259,545
INCREASE (DECREASE) IN NET ASSETS	--	204,437	--	204,437
Net assets at beginning of year	178,744	4,927,704	--	5,106,448
NET ASSETS AT END OF YEAR	\$ 178,744	5,132,141	--	5,310,885

ALL OUR KIDS, INC. FOUNDATION
SUPPLEMENTARY SCHEDULE OF CASH FLOW

ALL OUR KIDS, INC. FOUNDATION

SUPPLEMENTARY SCHEDULE OF CASH FLOW

YEARS ENDED DECEMBER 31	2011	2010
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Received from donors	\$ 100,000	64,825
Interest and dividends received	192,917	168,465
Paid to suppliers and employees	(224,190)	(251,023)
Net cash provided (used) by operating activities	68,727	(17,733)
Cash flows from investing activities		
Proceeds from sale of marketable securities	82,500	--
Purchase of marketable securities	(591,658)	(1,989,633)
Net cash provided used by investing activities	(509,158)	(1,989,633)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(440,431)	(2,007,366)
Cash and cash equivalents at beginning of year	481,863	2,489,229
Cash and cash equivalents at end of year	\$ 41,432	481,863

	2011	2010
Reconciliation of net cash flows from operating activities		
Increase in net assets	\$ (197,535)	204,437
Reconciling adjustments		
Realized and unrealized gains on marketable securities	321,932	(241,779)
(Increase) decrease in operating assets		
Interest receivable	5,829	(3,579)
Other assets	--	14,666
Increase (decrease) in operating liabilities		
Scholarships payable	(64,618)	8,175
Other payables	3,119	347
Net cash provided (used) by operating activities	\$ 68,727	(17,733)