



**Part of the Solution**  
Feeding Our Neighbors. Nourishing Our Community.

**PART OF THE SOLUTION, INC.  
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2010  
(With Comparative Totals for December 31, 2009)**

# **PART OF THE SOLUTION, INC. AND AFFILIATE**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Part of the Solution, Inc. and Affiliate

We have audited the accompanying consolidated statement of financial position of Part of the Solution, Inc. and Affiliate (the "Organization") as of December 31, 2010 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 consolidated financial statements and, in our report dated June 16, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted auditing standards 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 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 audit provides 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 Part of the Solution, Inc. and Affiliate as of December 31, 2010 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary schedules of consolidating statements of financial position, statement activities, functional expenses and cash flows are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*MBAF-ERE CPAs, LLC*

New York, NY  
April 27, 2011

**PART OF THE SOLUTION, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>As of December 31, 2010 (With Comparative Totals for 2009)</b>	<b>2010</b>	<b>2009</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,494,463	\$ 1,000,483
Cash and cash equivalents - restricted	2,237,511	572,563
Investments	327,702	2,758,817
Interest reserve	-	242,705
Contributions and grants receivable, net	1,158,413	2,293,431
Note receivable	6,318,294	-
Prepaid expenses and other assets	23,830	52,751
Property and equipment, net	211,635	237,918
Construction-in-progress	6,956,044	3,367,832
Deferred New Markets Tax Credit Issuance Costs (NMTC), net	303,733	-
<b>Total Assets</b>	<b>\$ 19,031,625</b>	<b>\$ 10,526,500</b>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 982,526	\$ 94,410
Notes payable - bank	8,536,000	2,382,004
Notes payable - POTS directors	838,050	-
<b>Total Liabilities</b>	<b>10,356,576</b>	<b>2,476,414</b>
<b>Net Assets:</b>		
Unrestricted	2,975,459	2,789,933
Temporarily restricted	5,699,590	5,260,153
<b>Total Net Assets</b>	<b>8,675,049</b>	<b>8,050,086</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 19,031,625</b>	<b>\$ 10,526,500</b>

The accompanying notes are an integral part of the consolidated financial statements.

# PART OF THE SOLUTION, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010 (With Comparative Totals for 2009)	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
Support and revenues:				
Individual contributions	\$ 291,079	\$ 159,511	\$ 450,590	\$ 705,009
Government grants	304,200	45,000	349,200	188,457
Foundations and corporate contributions	238,712	726,866	965,578	1,608,503
Schools and community groups	42,631	35,890	78,521	62,521
Special events, net of direct expenses of \$54,864 and \$56,172 for 2010 and 2009, respectively	216,256	-	216,256	143,053
In-kind contributions	198,148	-	198,148	194,947
Interest and dividend income	59,723	5,516	65,239	13,527
Realized gain on sale of investments	171	119	290	3,732
Unrealized gain (loss) on investments	20,353	-	20,353	(2,957)
Miscellaneous income	2,819	-	2,819	6,062
Net assets released from restrictions	533,465	(533,465)	-	-
<b>Total Support and Revenues</b>	<b>1,907,557</b>	<b>439,437</b>	<b>2,346,994</b>	<b>2,922,854</b>
Program expenses:				
Food service programs	685,516	-	685,516	636,904
Day-to-day program services	638,480	-	638,480	562,057
<b>Total Program Expenses</b>	<b>1,323,996</b>	<b>-</b>	<b>1,323,996</b>	<b>1,198,961</b>
Management and general	300,599	-	300,599	95,883
Fundraising	97,436	-	97,436	154,373
<b>Total Expenses</b>	<b>1,722,031</b>	<b>-</b>	<b>1,722,031</b>	<b>1,449,217</b>
<b>Change in net assets</b>	<b>185,526</b>	<b>439,437</b>	<b>624,963</b>	<b>1,473,637</b>
<b>Net assets, beginning of year</b>	<b>2,789,933</b>	<b>5,260,153</b>	<b>8,050,086</b>	<b>6,576,449</b>
<b>Net assets, end of year</b>	<b>\$ 2,975,459</b>	<b>\$ 5,699,590</b>	<b>\$ 8,675,049</b>	<b>\$ 8,050,086</b>

The accompanying notes are an integral part of the consolidated financial statements.

# PART OF THE SOLUTION, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2010 (With Comparative Totals for 2009)**

	Program Services			Supporting Services			2009 Total
	Food Service Programs	Day-to-Day Program Services	Total	Management and General	Fundraising	Total	
Salaries	\$ 179,393	\$ 303,829	\$ 483,222	\$ 47,334	\$ 58,779	\$ 106,113	\$ 589,335
Payroll taxes and fringe benefits	44,574	71,966	116,540	8,717	15,281	23,998	140,538
Food	364,381	77	364,458	-	-	-	364,458
Repairs and maintenance	6,607	2,491	9,098	1,864	321	2,185	11,283
Equipment rental	890	1,893	2,783	146	186	332	3,042
Program related expense	3,310	43,114	46,424	-	-	-	46,424
Professional fees	260	58,020	58,280	50,945	750	51,695	109,975
Occupancy and utilities	17,468	23,155	40,623	2,829	3,670	6,499	47,122
Telephone	3,405	6,492	9,897	1,216	1,422	2,638	12,535
Supplies	20,584	68,572	89,156	536	1,980	2,516	91,672
Printing and copying	1,856	2,816	4,672	240	2,099	2,339	7,011
Office and miscellaneous expense	1,737	6,818	8,555	7,106	778	7,884	16,439
Postage and messenger	1,444	1,947	3,391	561	5,039	5,600	8,991
Computer	5,170	7,263	12,433	1,044	1,271	2,315	14,748
Conferences and training	548	3,492	4,040	9,139	366	9,505	13,545
Insurance	16,773	21,592	38,365	2,899	3,613	6,512	44,877
Service fees	-	10	10	17,347	1,881	19,228	19,238
Depreciation and amortization	17,116	14,933	32,049	9,889	-	9,889	41,938
Bad debt expense	-	-	-	-	-	-	-
Interest expense	-	-	-	81,659	-	81,659	81,659
NMTC compliance fees	-	-	-	57,128	-	57,128	57,128
<b>Total expenses - 2010</b>	<b>\$ 685,516</b>	<b>\$ 638,480</b>	<b>\$ 1,323,996</b>	<b>\$ 300,599</b>	<b>\$ 97,436</b>	<b>\$ 398,035</b>	<b>\$ 1,722,031</b>
<b>Total expenses - 2009</b>	<b>\$ 636,904</b>	<b>\$ 562,057</b>	<b>\$ 1,198,961</b>	<b>\$ 95,883</b>	<b>\$ 154,373</b>	<b>\$ 250,256</b>	<b>\$ 1,449,217</b>

The accompanying notes are an integral part of the consolidated financial statements.

# PART OF THE SOLUTION, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF CASH FLOWS

**For the Year Ended December 31, 2010**

**(With Comparative Totals for 2009)**

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 624,963	\$ 1,473,637
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(20,353)	2,957
Realized gain on investments	(290)	(3,732)
Donated marketable securities	(50,404)	(43,975)
Bad debt expense	-	62,900
Contributions restricted for acquisition and renovation of building	(1,583,983)	(1,224,898)
Depreciation and amortization	41,938	29,653
Receipt of in-kind capitalized office equipment	-	(39,539)
Changes in assets and liabilities:		
Decrease (increase) in:		
Contributions and grants receivable	1,135,018	(89,570)
Prepaid expenses and other assets	28,921	(10,070)
Increase in:		
Accounts payable and accrued expenses	888,116	5,805
<b>Net cash provided by operating activities</b>	<b>1,063,926</b>	<b>163,168</b>
Cash flows from investing activities:		
Purchase of property and equipment	(9,522)	(25,076)
Increase in construction in progress	(3,588,212)	(473,837)
Purchase of investments	(3,066,749)	(2,758,802)
Proceeds from sale of investments	5,568,911	44,735
Investment in New Markets Tax Credit Issuance Costs (NMTC)	(309,866)	-
Issuance of note receivable	(6,318,294)	-
<b>Net cash used in investing activities</b>	<b>(7,723,732)</b>	<b>(3,212,980)</b>
Cash flows from financing activities:		
Proceeds from note payable	-	50,847
Proceeds from note payable - bank	8,536,000	-
Repayment of note payable - bank	(2,382,004)	-
Proceeds from interest reserve	242,705	-
Proceeds from notes payable - POTS directors	1,150,000	-
Repayment of notes payable - POTS directors	(311,950)	-
New Market Tax Credit deposit	-	(35,000)
Contributions restricted for acquisition and renovation of building	1,583,983	1,224,898
<b>Net cash provided by financing activities</b>	<b>8,818,734</b>	<b>1,240,745</b>
Net increase (decrease) in cash and cash equivalents	2,158,928	(1,809,067)
Cash and cash equivalents, beginning of year	1,573,046	3,382,113
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,731,974</b>	<b>\$ 1,573,046</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the year for:		
Interest	\$ 136,817	\$ 186,154
Income taxes	\$ -	\$ -
<b>Non-cash Investing and Financing Activities</b>		
In-kind contributions	\$ 198,148	\$ 194,947
Donated stock	\$ 50,404	\$ 43,975

The accompanying notes are an integral part of the consolidated financial statements.

**PART OF THE SOLUTION, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010**

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**1. NATURE OF THE ORGANIZATION:**

Part of the Solution, Inc. and Affiliate (the "Organization") provides various food service and social service program support to those in need.

Part of the Solution, Inc. ("POTS") was founded in 1982. POTS is a tax exempt organization under Section 501(c) (3) of the Internal Revenue Code and has been held to be a publicly supported organization and not a private foundation under Section 509(a). POTS's primary source of revenue is generated from contributions. POTS operates in Bronx County of New York.

POTS Building for the Future ("PBFF") was formed in November 2009 exclusively for the benefit of POTS by raising funds, providing grants and loans to support the work of POTS. POTS is the sole member of PBFF and appoints the board of directors of PBFF. PBFF is a New York State not-for-profit organization that has received its tax exempt status under Section 501(c) (3) of the Internal Revenue Code and has received approval to be held as a publicly supported organization and not a private foundation under Section 509(a).

The Organization's signature programs are the Food Service Programs and the Day-to-Day Services:

Food Service Programs – This program is funded by a combination of individual, corporate, foundation and government income and consists of a pantry service provided to community residents of the surrounding area of the Organization located in the Bronx, New York. The pantry service provides groceries and nutritional food to these residents. The Food Service Programs also consist of a soup kitchen that is open to all those in need that pass through the doors of the Organization.

Day-to-Day Program Services – This program is funded by a combination of individual, corporate, foundation and government income and consists of a legal clinic, a shower program, psychotherapy, a mail box program for guests, and other basic supporting social services for those in need.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Financial Statement Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

The accompanying consolidated financial statements include the accounts of POTS and its controlled affiliate PBFF in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification, *Not-for-Profit Entities – Consolidation (Topic 958-810)*. All significant intercompany accounts and transactions have been eliminated.



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The classification of the Organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

**Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

**Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

**Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

**Cash and Cash Equivalents**

The Organization considers all highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition as cash and cash equivalents. A portion of cash and cash equivalents is comprised of restricted cash for capital campaign, construction costs, funding to repay loans to directors and NMTC annual fees payable for the next seven years.

**Investments**

Investments are recorded at fair value based upon quoted market prices. Realized gains or losses are recognized based on the first-in, first-out, or the specific-identification method. Interest and dividends on securities are recorded on the ex-dividend date. Interest and dividends earned on restricted assets maintain their restricted classification.

**Donated Securities**

It is the intention of the Organization to sell all gifts of public securities upon receipt or as soon thereafter as possible. For the years ended December 31, 2010 and 2009 the Organization received \$50,404 and \$43,975, respectively, in donated securities.

**Contributions and Grants Receivable**

Contributions and grants receivable represent unconditional promises to give by donors. For the years ended December 31, 2010 and 2009, the Organization had contributions receivable of \$1,158,413 and \$2,293,431, respectively, which will be received within five years and are recorded at net realizable value. The Organization considers all gifts of long-lived assets to be temporarily restricted. The Organization

**PART OF THE SOLUTION, INC. AND AFFILIATE**  
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uses the allowance method to determine uncollectible contributions and grants receivable. Such allowance is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information. For the years ended December 31, 2010 and 2009, the allowance for doubtful accounts was \$40,556 and \$62,898, respectively.

Contributions and grants receivable that are due in more than one year are discounted to present value using the applicable rate of 5% on the date that the contribution is made. For the years ended December 31, 2010 and 2009, the discount for present value was \$24,410 and \$44,899, respectively.

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Organization has established a \$1,000 threshold above which assets are capitalized. No depreciation is recorded on the construction-in-progress until the construction is complete.

The Organization reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. No impairment losses were recognized for the years ended December 31, 2010 and 2009.

**Revenue Recognition**

Government grants are recognized as revenue to the extent of expenditures or based on the achievement of performance milestones. The disbursements received from government agencies are subject to audit by those agencies. The government agencies may request return of funds as a result of noncompliance by the Organization with the terms of the grants/contracts. Other grants and contributions are recognized as revenue when they are received or unconditionally pledged.

**In-Kind Contributions**

The Organization receives contributions of donated goods and services that are an integral part of its operations. Such assets and services are recorded as contributions in-kind at their values based on market values of items and services donated or on current prices at the time of donation, if no receipt is available. Contributions are recorded in the period received.

**Special Events**

The direct costs of special events include expenses for the benefit of the donor. For example, food and facility rental are considered direct costs of the special event.

**Functional Allocation of Expenses**

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

**PART OF THE SOLUTION, INC. AND AFFILIATE**  
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Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through the auditors' report date and date of issuance. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

Comparative Financial Information

The December 31, 2010 financial statements include certain prior year summarized comparative information. In addition, only certain notes to the financial statements for December 31, 2009 are presented. As a result, the December 31, 2009 comparative information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in United States of America. Accordingly, such December 31, 2009 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

The accounting standard for uncertainty in income taxes prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

In assessing the realizability of tax benefits, management considers whether it is more likely than not that some portion or all of any tax position will not be realized. The ultimate realization of such tax positions is dependent upon the generation of future income. Management considers projected future income and tax planning strategies in making this assessment. Based upon the level of historical income and projections for future income, management believes it is more likely than not that the Organization will realize all tax benefits.

The Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended December 31, 2010. However, the Organization may be subject to audit by tax authorities. The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Management believes that its nonprofit status would be sustained upon examination.

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The Organization files informational returns in the United States federal and New York State jurisdictions. The Organization is no longer subject to income tax examinations by the Internal Revenue Service or New York State for returns filed before 2007.

Fair Value Measurements and Fair Value-Definition and Hierarchy

The Organization follows the accounting standard related to fair value measurements standard. Under this standard, fair value is defined as 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.

This standard establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable units be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organizations assumption about inputs used by market participants at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows-

- Level 1- Valuation based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2- Valuation based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3- Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the standard. The three valuation techniques are as follows:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and
- Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The Organization uses the Level 3 fair value hierarchy in the valuation of contributions and grant receivables and Level 2 for investments. The carrying value of all other assets and liabilities approximates fair value because of the short maturity of those financial assets and liabilities.

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New Accounting Pronouncements

In July 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-20, Receivables (Topic 310): *Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. The objective of this ASU is for an entity to provide disclosures that facilitate financial statement users' evaluation of the following:

- The nature of credit risk inherent in the entity's portfolio of financing receivables;
- How that risk is analyzed and assessed in arriving at the allowance for credit losses;
- The changes and reasons for those changes in the allowance for credit losses.

To achieve these objectives, an entity should provide disclosures on a disaggregated basis on two defined levels: (1) portfolio segment; and (2) class of financing receivable. The ASU makes changes to existing disclosure requirements and includes additional disclosure requirements about financing receivables, including:

- Credit quality indicators of financing receivables at the end of the reporting period by class of financing receivables;
- The aging of past due financing receivables at the end of the reporting period by class of financing receivables; and
- The nature and extent of troubled debt restructurings that occurred during the period by class of financing receivables and their effect on the allowance for credit losses.

For nonpublic entities, the disclosures are effective for annual reporting periods ending on or after December 15, 2011. The Organization has not yet determined whether the adoption of this standard will have a material impact on its consolidated financial statements.

In March 2010, the FASB issued ASU No. 2010-11, *Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives*. The FASB believes this ASU clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Specifically, only one form of embedded credit derivative qualifies for the exemption - one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The amendments in the ASU are effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at the beginning of each entity's first fiscal quarter beginning after the issuance date of this ASU. The Organization has not yet determined whether the adoption of this standard will have a material impact on its consolidated financial statements.

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In January 2010, the FASB issued ASU No. 2010-06 requiring reporting entities to make new disclosures about recurring or nonrecurring fair value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements, and information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. The guidance is effective for interim and annual reporting periods after December 15, 2009, except for Level 3 reconciliation disclosures, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Organization has determined that the adoption of this statement will not have a material impact on the Organization's consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-02 ("ASU 2010-02"), *Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification*. The amendments in this ASU to the Codification clarify that the scope of the decrease in ownership provisions of Subtopic 810-10 and related guidance applies to: a subsidiary or group of assets that is a business or nonprofit activity; a subsidiary that is a business or nonprofit activity that is transferred to an equity method investee or joint venture; and an exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity (including an equity method investee or joint venture).

The amendments in the Update also clarify that the decrease in ownership guidance in Subtopic 810-10 does not apply to: (a) sales of in substance real estate and (b) conveyances of oil and gas mineral rights, even if these transfers involve businesses. The amendments in ASU 2010-02 expand the disclosure requirements about deconsolidation of a subsidiary or derecognition of a group of assets to include:

- The valuation techniques used to measure the fair value of any retained investment;
- The nature of any continuing involvement with the subsidiary or entity acquiring the group of assets; and
- Whether the transaction that resulted in the deconsolidation or derecognition was with a related party or whether the former subsidiary or entity acquiring the assets will become a related party after the transaction.

The amendments are effective beginning in the period that an entity adopts FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* - an amendment of ARB 51 (now included in Subtopic 810-10). If an entity has previously adopted Statement 160, the amendments are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. The amendments in ASU 2010-02 should be applied retrospectively to the first period that an entity adopts Statement 160. The adoption of ASU 2010-02 had no material impact on the Organization's consolidated financial statements.

**PART OF THE SOLUTION, INC. AND AFFILIATE**  
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**December 31, 2010**

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**3. CONTRIBUTIONS AND GRANTS RECEIVABLE:**

The Organization's Board of Directors approved a long-term fundraising plan ("The Capital Campaign") to raise funds for the acquisition and construction of additional facilities and costs related to this activity.

As of December 31, 2010, \$5,147,278 was pledged of which \$4,484,603 was received by the Organization prior to the end of the year. Amounts received and pledged have been recorded as temporarily restricted income since the objectives of the plan have not yet been completed.

Unconditional promises to give have been recorded at present values at December 31, 2010. Unless material, receivables due in more than one year have been discounted to present values using the rate of 5% on the date that the contribution is made. The receivables are recorded as follows:

December 31,	2010	2009
Capital campaign	\$ 703,476	\$ 2,038,628
Less: allowance for doubtful accounts	(40,556)	(62,898)
Other receivables	515,982	362,600
Total	1,178,902	2,338,330
Less: discount to present value	(20,489)	(44,899)
Present value	\$ 1,158,413	\$ 2,293,431

  

Amounts due in:		
Less than one year	\$ 806,622	\$ 1,754,301
One to five years	351,791	539,130
Total	\$ 1,158,413	\$ 2,293,431

**4. PROPERTY AND EQUIPMENT:**

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

	2010	2009	Estimated Useful Life
Land	\$ 35,000	\$ 35,000	N/A
Building and improvements	558,537	557,987	39 1/2 years
Office equipment	209,399	200,427	3-7 years
Furniture and fixtures	49,902	49,902	3-5 years
Automobiles	15,900	15,900	5 years
Total property and equipment	868,738	859,216	
Less: accumulated depreciation	(657,103)	(621,298)	
Net property and equipment	\$ 211,635	\$ 237,918	

  

Construction-in-progress	\$ 6,956,044	\$ 3,367,832	
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**PART OF THE SOLUTION, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010**

Depreciation expense for the years ended December 31, 2010 and 2009 was \$35,805 and \$29,653, respectively.

Construction-in-progress at December 31, 2010 is stated at cost and not depreciated until placed into service. The construction-in-progress represents a temporary capitalization of various costs, including interest costs associated with the construction of a new facility. When the constructed asset is placed into service, accumulated construction-in-progress costs are capitalized and depreciated within their respective component categories.

The Organization is in the process of renovating a new facility to be used for operations, which is scheduled to be completed in 2011. As of December 31, 2010, the Organization has incurred and capitalized \$6,956,044 in construction-in-progress. The estimated cost to be incurred in 2011 to complete construction of the facility is approximately \$1,090,000.

**5. FAIR VALUE MEASUREMENTS:**

The Organization's investments consist of mutual funds.

These assets are valued as follows under the fair value hierarchy:

December 31, 2010	Total	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - equities	\$ 102,702	\$ 102,702	\$ -
Mutual Funds -- fixed income	78,523	78,523	-
Mutual Funds -- alternative strategies	39,524	39,524	-
Mutual Funds - other	106,953	106,953	-
Contributions and grants receivable	1,158,413	-	1,158,413
	\$ 1,486,115	\$ 327,702	\$ 1,158,413

December 31, 2009	Total	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 2,758,817	\$ 2,758,817	\$ -
Contributions and grants receivable	2,293,431	-	2,293,431
	\$ 5,052,248	\$ 2,758,817	\$ 2,293,431



# PART OF THE SOLUTION, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2010

Contributions and grants receivable that are due in more than one year are discounted to present value using the rate of 5% on the date that the contribution is made.

As of December 31, 2010, the money market funds are considered to be dollar for dollar money market accounts, based on quoted market prices, based on statements received from a broker.

Mutual funds are based on quoted market prices based on statements received from a broker.

Contributions and grants receivable was comprised as follows:

	2010	2009
Fair value as of January 1,	\$ 2,293,431	\$ 2,266,759
Current period contributions	1,843,730	2,564,490
Current period payment of pledges	(3,004,158)	(2,430,021)
Adjustment for allowance	-	(62,898)
Adjustment for discount	24,410	(44,899)
Fair value as of December 31,	\$ 1,158,413	\$ 2,293,431

- 6. NOTE RECEIVABLE AND NOTES PAYABLE – NEW MARKETS TAX CREDIT TRANSACTION:** In March 2010, POTS and PBFF entered into various agreements for the purpose of participating in the Federal New Markets Tax Credit program (NMTC). In connection with this transaction, POTS made a restricted grant in the amount of \$6,183,354 to PBFF to induce PBFF to serve as the Leveraged Lender in the transaction. As the Leveraged Lender, PBFF received charitable contributions raised by POTS, and lent them to a NMTC investor. The total note receivable on the loan from PBFF to a NMTC investor is \$6,318,294. The loan carries interest at 1% per annum to maturity on March 19, 2050. The interest receivable on the loan is payable to PBFF annually in arrears through the end of the immediately preceding month, beginning December 1, 2010. Beginning December 1, 2018, PBFF is to receive annual level payments of \$225,736 on the loan in an amount sufficient to recoup principal and interest over the amortization period of 33 years beginning April 1, 2017. ASC Section 835, *Interest*, exempts transactions where interest rates are affected by the tax attributes or legal restrictions prescribed by a governmental agency from the accounting requirements for below market interest rate loans.

The NMTC has used the above contributions to leverage its equity investment and made a loan to POTS in the amount of \$8,536,000. The loan carries interest at 0.74% per annum to maturity on March 19, 2050. Interest due on the loan is payable annually in arrears through the end of the immediately preceding month, beginning December 1, 2010. Beginning on December 1, 2018, POTS will make annual level payments on the loan in an amount sufficient to repay principal and interest over the amortization period of 33 years beginning April 1, 2017. In March 2017, an affiliate of the NMTC investor has the option (the "Put") to sell its interest in the loan for the sum of \$1,000 to PBFF. Should the Put not be exercised, PBFF has the right to purchase (the "Call") the loans at the then fair market value. It is anticipated that the Put will be exercised. The call option does not have a readily determinable fair value and is exempt from the fair value measurements in ASC Section 825, *Fair Value Measurements*, in accordance with

## PART OF THE SOLUTION, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

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ASC Section 825, *Financial Instruments*. Fair value would be established by three appraisals, using a discounted cash flow method, based upon market conditions in March, 2017.

For the year ended December 31, 2010 total issuance costs related to NMTC was \$309,866, it's reflected as New Markets Tax Credit Issuance Costs on the Consolidated Statement of Financial Position. For the year ended December 31, 2010, amortization expense was \$6,133.

- 7. NOTES PAYABLE:** Pursuant to a purchase of property during the fiscal year ended December 31, 2008, POTS entered into an acquisition loan with a financial institution. The outstanding principal at December 31, 2009 was \$2,382,004 with interest accrued at a fixed interest rate of 7.75% per annum. POTS has established an interest reserve account with the lender for \$550,000 that is to be used for three years of interest payments. The balance of prepaid interest held in cash-escrow at December 31, 2009 was \$242,705. During the year ended December 31, 2010, the entire principal balance outstanding including the escrow was repaid through proceeds of a New Markets Tax Credit transaction.

As part of the NMTC transaction, PBFF entered into non-recourse loans with various POTS individual Directors. The loans total \$1,150,000, have no prepayment penalty, accrue interest at 3.5% per annum or the Applicable Federal Rate published by the U.S. Internal Revenue Service and mature at various dates through August 12, 2017 and September 9, 2017. At December 31, 2010 the notes payable totaled \$838,050.

- 8. RELATED PARTY TRANSACTIONS:** During the year ended December 31, 2010, POTS made grants to PBFF totaling \$6,617,090. In addition, during the year ended December 31, 2010, PBFF made grants to POTS totaling \$44,580. These balances have been eliminated for purposes of consolidation.

- 9. IN-KIND CONTRIBUTIONS:** During the years ended December 31, 2010 and 2009, the Organization recognized total in-kind donations of \$198,148 and \$155,408, respectively, and these amounts are reflected in both income and expenses in the accompanying financial statements. In addition, the Organization recognized an in-kind donation of office equipment for \$39,539 for the year ended December 31, 2009, and is reflected as income and as a capitalized asset. Volunteers are not included in the in-kind, except for services provided by trained legal advocates and a psychiatrist. In-kind goods consist of clothing, food supplies, hygiene products, small appliances and other miscellaneous items.

- 10. PENSION PLAN:** The Organization maintains an IRS Section 401(k) voluntary contributory retirement plan offered to all permanent employees on the date of hire. The Organization makes a discretionary contribution of 4% of the eligible employees' salaries on the one year anniversary of their hire date. During the years ended December 31, 2010 and 2009, the total pension expense consisting of employer contributions totaled \$17,021 and \$17,243, respectively.

**PART OF THE SOLUTION, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010**

**11. TEMPORARILY  
RESTRICTED NET  
ASSETS:**

Temporarily restricted net assets are purpose and time restricted and consist of the following:

December 31,	2010	2009
Time and use restrictions – capital improvements	\$ 5,199,485	\$ 4,976,358
Use restrictions – program expenses	4,427	-
Time restrictions	100,000	-
Time and use restrictions – program expenses	395,678	283,795
	\$ 5,699,590	\$ 5,260,153

Net assets were released from restrictions either by incurring expenses or by the passage of time thus satisfying the restricted purposes for the year ended December 31, 2010 as follows:

Time and use restrictions – program expenses	\$ 521,554
Use restrictions – program expenses	11,911
	\$ 533,465

- 12. CONCENTRATIONS:**
- A. Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts in several financial institutions that exceeded the Federal Deposit Insurance Corporation (“FDIC”) limits by approximately \$2,935,000 as of December 31, 2010. Management believes that the credit risk related to these accounts is minimal. As of December 31, 2010, all funds in a noninterest-bearing transaction account will be insured in full by FDIC through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the limit of \$250,000 effective through December 31, 2013.
  - B. For the year ended December 31, 2010, a single donor contributed \$550,000 to the Organization which amounted to approximately 23% of the Organization’s total revenue for the year.
  - C. Three major sources accounted for approximately 51% of contributions and grants receivable for the year ended December 31, 2010.
  - D. One vendor accounts for approximately 81% of payables and accrued expenses.
- 13. COMMITMENTS  
AND  
CONTINGENCIES:**
- A. At December 31, 2010, the Organization has commitments for various professional services totaling approximately \$32,000. At December 31, 2010, the Organization has commitments for construction service from a general contractor to renovate a facility totaling approximately \$662,000.

**PART OF THE SOLUTION, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010**

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- B. The Organization leases office equipment under a non-cancellable operating lease requiring future minimum payments as follows:

Year ending December 31,		
2011	\$	6,048
2012		6,048
2013		6,048
2014		6,048
2015		2,520
Total	\$	26,712

Lease expense for the year ended December 31, 2010 and 2009 amounted to \$9,318 and \$8,833, respectively.

- C. As part of the NMTC transaction (Note 6), POTS is to reimburse the NMTC lender for various asset management fees, audit and tax expenses, collectively referred to as "NMTC compliance fees." The future payments of the NMTC compliance fees are as follows:

Year ending December 31,		
2011	\$	66,000
2012		66,000
2013		66,000
2014		66,000
2015		66,000
Thereafter		99,000
	\$	429,000

The total NMTC compliance fees expense for the year ended December 31, 2010 amounted to \$57,128.

- D. The Organization is involved in a litigation arising in the ordinary course of business. The litigation is in its preliminary stages and being handled by the Organization's insurance company.

**14. RISK AND  
UNCERTAINTIES:**

The Organization has money market funds and treasury bills that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Consolidated Statement of Financial Position.

The Organization is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; actions to employees, and natural disasters. The Organization maintains commercial insurance to protect itself from such risks and self insured on others.

**PART OF THE SOLUTION, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010**

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The Organization entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the Organization. The accompanying financial statements make no provision for the possible disallowance or refund, because management does not believe that there are any liabilities to be recorded.

## **SUPPLEMENTARY INFORMATION**

# PART OF THE SOLUTION, INC. AND AFFILIATE

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

**As of December 31, 2010**

**(With Comparative Totals for 2009)**

	POTS	PBFF	Eliminations	2010	2009
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,463,540	\$ 30,923	\$ -	\$ 1,494,463	\$ 1,000,483
Cash and cash equivalents - restricted	2,101,142	136,369	-	2,237,511	572,563
Investments	-	327,702	-	327,702	2,758,817
Interest reserve	-	-	-	-	242,705
Contributions and grants receivable, net	525,982	632,431	-	1,158,413	2,293,431
Note receivable	-	6,318,294	-	6,318,294	-
Prepaid expenses and other assets	18,565	5,265	-	23,830	52,751
Property and equipment, net	211,635	-	-	211,635	237,918
Construction-in-progress	6,956,044	-	-	6,956,044	3,367,832
Deferred New Markets Tax Credit	-	-	-	-	-
Issuance Costs (NMTC), net	303,733	-	-	303,733	-
<b>Total Assets</b>	<b>\$ 11,580,641</b>	<b>\$ 7,450,984</b>	<b>\$ -</b>	<b>\$ 19,031,625</b>	<b>\$ 10,526,500</b>
<b>Liabilities and Net Assets:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 965,035	\$ 17,491	\$ -	\$ 982,526	\$ 94,410
Notes payable - bank	8,536,000	-	-	8,536,000	2,382,004
Notes payable - POTS directors	-	838,050	-	838,050	-
<b>Total Liabilities</b>	<b>9,501,035</b>	<b>855,541</b>	<b>-</b>	<b>10,356,576</b>	<b>2,476,414</b>
<b>Net Assets:</b>					
Unrestricted	(3,562,013)	250,778	6,286,694	2,975,459	2,789,933
Temporarily restricted	5,641,619	6,344,665	(6,286,694)	5,699,590	5,260,153
<b>Total Net Assets</b>	<b>2,079,606</b>	<b>6,595,443</b>	<b>-</b>	<b>8,675,049</b>	<b>8,050,086</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,580,641</b>	<b>\$ 7,450,984</b>	<b>\$ -</b>	<b>\$ 19,031,625</b>	<b>\$ 10,526,500</b>

See auditors' report.

# PART OF THE SOLUTION, INC. AND AFFILIATE

## CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010 (With Comparative Totals for 2009)	POTS			PBFF			Total		
	Temporarily		Eliminations	Temporarily		Unrestricted	Temporarily		2009
	Unrestricted	Restricted		Unrestricted	Restricted		Unrestricted	Restricted	
Support and revenues:									
Individual contributions	\$ 291,079	\$ 86,790	\$ -	\$ -	\$ 72,721	\$ -	\$ 291,079	\$ 159,511	\$ 705,009
Government grants	304,200	45,000	-	-	-	-	304,200	45,000	188,457
Foundations and corporate contributions	283,290	741,742	-	330,398	6,271,818	(6,661,670)	238,712	726,866	1,608,503
Schools and community groups	42,631	35,890	-	-	-	-	42,631	35,890	62,521
Special events, net of direct expenses of \$54,864 and \$56,172 for 2010 and 2009, respectively	216,256	-	-	-	-	-	216,256	-	143,053
In-kind contributions	198,148	-	-	-	-	-	198,148	-	194,947
Interest and dividend income	423	5,509	-	59,300	7	-	59,723	5,516	13,527
Realized gain on sale of investments	171	-	-	-	119	-	171	119	3,732
Unrealized gain (loss) on investments	-	-	-	20,353	-	-	20,353	-	(2,957)
Miscellaneous income	1,980	-	-	839	-	-	2,819	-	6,062
Net assets released from restrictions	533,465	(533,465)	-	-	-	-	533,465	(533,465)	-
<b>Total Support and Revenues</b>	<b>1,871,643</b>	<b>381,466</b>		<b>410,890</b>	<b>6,344,665</b>	<b>(6,661,670)</b>	<b>1,907,557</b>	<b>439,437</b>	<b>2,922,854</b>
Program expenses:									
Food service programs	685,516	-	-	-	-	-	685,516	-	636,904
Day-to-day program services	638,480	-	-	-	-	-	638,480	-	562,057
Unallocated payments to affiliated organization	6,617,091	-	-	44,579	-	(6,661,670)	-	-	-
<b>Total Program Expenses</b>	<b>7,941,087</b>	<b>-</b>		<b>44,579</b>	<b>-</b>	<b>(6,661,670)</b>	<b>1,323,996</b>	<b>-</b>	<b>1,198,961</b>
Management and general Fundraising	247,964	-	-	52,635	-	-	300,599	-	95,883
	34,538	-	-	62,898	-	-	97,436	-	154,373
<b>Total Expenses</b>	<b>8,223,589</b>	<b>-</b>		<b>160,112</b>	<b>-</b>	<b>(6,661,670)</b>	<b>1,722,031</b>	<b>-</b>	<b>1,449,217</b>
Change in net assets	(6,351,946)	381,466		250,778	6,344,665	-	185,526	439,437	1,473,637
Net assets, beginning of year	2,789,933	5,260,153		-	-	-	2,789,933	5,260,153	6,576,449
<b>Net assets, end of year</b>	<b>\$ (3,562,013)</b>	<b>\$ 5,641,619</b>		<b>\$ 250,778</b>	<b>\$ 6,344,665</b>	<b>\$ -</b>	<b>\$ 2,975,459</b>	<b>\$ 5,699,590</b>	<b>\$ 8,050,086</b>

See auditors' report.



**PART OF THE SOLUTION, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2010 (With Comparative Totals for 2009)**

	POTS				PBFF			
	Program Services		Supporting Services		Management and General		Supporting Services	
	Food Service Programs	Day-to-Day Program Services	Total	Fundraising	Management and General	Fundraising	Total	Total
Salaries	\$ 179,393	\$ 303,829	\$ 483,222	\$ 58,779	\$ 589,335	-	\$ 589,335	\$ 587,657
Payroll taxes and fringe benefits	44,574	71,966	116,540	15,281	140,538	-	140,538	127,085
Food	364,381	77	364,458	-	364,458	-	364,458	334,183
Repairs and maintenance	6,807	2,491	9,098	321	11,283	-	11,283	12,044
Equipment rental	890	1,893	2,783	186	3,115	-	3,115	3,042
Program related expense	3,310	43,114	46,424	-	46,424	-	46,424	24,660
Professional fees	260	58,020	58,280	750	94,975	15,000	109,975	58,505
Occupancy and utilities	17,468	23,155	40,623	3,670	47,122	-	47,122	38,335
Telephone	3,405	6,492	9,897	1,422	12,535	-	12,535	11,942
Supplies	20,584	68,572	89,156	1,980	91,672	-	91,672	86,735
Printing and copying	1,856	2,816	4,672	2,099	7,011	-	7,011	9,816
Office and miscellaneous expense	1,737	6,818	8,555	778	16,439	-	16,439	12,987
Postage and messenger	1,444	1,947	3,391	5,039	8,991	-	8,991	5,123
Computer	5,170	7,263	12,433	1,271	14,748	-	14,748	7,878
Conferences and training	548	3,492	4,040	366	13,545	-	13,545	6,891
Insurance	16,773	21,592	38,365	3,613	44,877	-	44,877	40,481
Service fees	-	10	10	1,881	13,413	-	13,413	9,300
Depreciation and amortization	17,116	14,933	32,049	-	41,938	-	41,938	29,653
Bad debt expense/(recovery of allowance)	-	-	-	(62,898)	(62,898)	-	-	62,900
Interest expense	-	-	-	-	31,810	-	31,810	-
NMTC compliance fees	-	-	-	-	-	-	-	-
<b>Total expenses - 2010</b>	<b>\$ 685,516</b>	<b>\$ 638,480</b>	<b>\$ 1,323,996</b>	<b>\$ 34,538</b>	<b>\$ 1,606,498</b>	<b>\$ 52,635</b>	<b>\$ 1,722,031</b>	
<b>Total expenses - 2009</b>	<b>\$ 636,904</b>	<b>\$ 562,057</b>	<b>\$ 1,198,961</b>	<b>\$ 95,853</b>	<b>\$ 1,549,217</b>	<b>\$ -</b>	<b>\$ 1,449,217</b>	

See auditors' report.

# PART OF THE SOLUTION, INC. AND AFFILIATE

## CONSOLIDATING STATEMENT OF CASH FLOWS

**For the Year Ended December 31, 2010**

**(With Comparative Totals for 2009)**

	POTS	PBFF	Eliminations	2010	2009
<b>Cash flows from operating activities:</b>					
Change in net assets	\$(5,970,480)	\$6,595,443	\$ -	\$ 624,963	\$ 1,473,637
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:					
Unrealized (gain) loss on investments	-	(20,353)	-	(20,353)	2,957
Realized gain on investments	(171)	(119)	-	(290)	(3,732)
Donated marketable securities	(30,370)	(20,034)	-	(50,404)	(43,975)
Bad debt expense	(62,898)	62,898	-	-	62,900
Contributions restricted for acquisition and renovation of building	(1,201,255)	(5,650,052)	5,267,324	(1,583,983)	(1,224,898)
Depreciation and amortization	41,938	-	-	41,938	29,653
Receipt of in-kind capitalized office equipment	-	-	-	-	(39,539)
<b>Changes in assets and liabilities:</b>					
Decrease (increase) in:					
Contributions and grants receivable	1,830,347	(695,329)	-	1,135,018	(89,570)
Prepaid expenses and other assets	34,186	(5,265)	-	28,921	(10,070)
Increase in:					
Accounts payable and accrued expenses	870,625	17,491	-	888,116	5,805
<b>Net cash (used in) provided by operating activities</b>	<b>(4,488,078)</b>	<b>284,680</b>	<b>5,267,324</b>	<b>1,063,926</b>	<b>163,168</b>
<b>Cash flows from investing activities:</b>					
Purchase of property and equipment	(9,522)	-	-	(9,522)	(25,076)
Purchase of construction in progress	(3,588,212)	-	-	(3,588,212)	(473,837)
Purchase of investments	(2,759,399)	(307,350)	-	(3,066,749)	(2,758,802)
Proceeds from sale of investments	5,548,757	20,154	-	5,568,911	44,735
Investment in NMTC issuance costs	(309,866)	-	-	(309,866)	-
Investment in note receivable	-	(6,318,294)	-	(6,318,294)	-
<b>Net cash used in investing activities</b>	<b>(1,118,242)</b>	<b>(6,605,490)</b>	<b>-</b>	<b>(7,723,732)</b>	<b>(3,212,980)</b>
<b>Cash flows from financing activities:</b>					
Proceeds from note payable	8,536,000	-	-	8,536,000	50,847
Repayment of note payable - bank	(2,382,004)	-	-	(2,382,004)	-
Proceeds from interest reserve	242,705	-	-	242,705	-
Proceeds from notes payable - POTS directors	-	1,150,000	-	1,150,000	-
Repayment of notes payable - POTS directors	-	(311,950)	-	(311,950)	-
New Market Tax Credit deposit	-	-	-	-	(35,000)
Contributions restricted for acquisition and renovation of building	1,201,255	5,650,052	(5,267,324)	1,583,983	1,224,898
<b>Net cash (used in) provided by financing activities</b>	<b>7,597,956</b>	<b>6,488,102</b>	<b>(5,267,324)</b>	<b>8,818,734</b>	<b>1,240,745</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>1,991,636</b>	<b>167,292</b>	<b>-</b>	<b>2,158,928</b>	<b>(1,809,067)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,573,046</b>	<b>-</b>	<b>-</b>	<b>1,573,046</b>	<b>3,382,113</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,564,682</b>	<b>\$ 167,292</b>	<b>\$ -</b>	<b>\$ 3,731,974</b>	<b>\$ 1,573,046</b>

**Supplemental Disclosures of Cash Flow Information:**

Cash paid during the year for:

Interest	\$ 105,007	\$ 31,810	\$ 136,817	\$ 186,154
Income taxes	\$ -	\$ -	\$ -	\$ -

**Non-cash Investing and Financing Activities**

In-kind contributions	\$ 198,148	\$ -	\$ 198,148	\$ 194,947
Donated stock	\$ 30,370	\$ 20,034	\$ 50,404	\$ 43,975

See auditors' report.