



**BOYS & GIRLS CLUBS**  
OF GREATER KANSAS CITY

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2012**  
**with**  
**Independent Auditors' Report**

**BOYS AND GIRLS CLUBS  
OF GREATER KANSAS CITY**

FINANCIAL STATEMENTS

December 31, 2012

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# Keller & Owens, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Board of Directors

### **Boys & Girls Clubs of Greater Kansas City**

We have audited the accompanying consolidated financial statements of **Boys & Girls Clubs of Greater Kansas City** (the Clubs) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

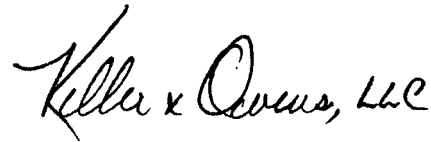
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Boys & Girls Clubs of Greater Kansas City** as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Restatement**

During fiscal 2012, management determined that board-designated assets were being erroneously treated as temporarily restricted. Accordingly, adjustments were made to net assets as of December 31, 2011, as described in note 16.

## **Report on Summarized Comparative Information**

We have previously audited the **Boys & Girls Clubs of Greater Kansas City's** 2011 financial statements, and our report dated September 4, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Kella x Owens, LLC".

Overland Park, Kansas  
September 25, 2013

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION December 31, 2012

(With comparative totals as of December 31, 2011)

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents:		
Operating	\$ 602,874	\$ 503,580
Designated cash	296,015	276,761
Total Cash and Cash Equivalents	<u>898,889</u>	<u>780,341</u>
Investments	785,548	731,193
Grants and accounts receivable	263,102	345,767
Note receivable - KCMO Investment Fund	3,726,000	3,726,000
Unconditional promises to give, current portion less allowance for uncollectibles	328,802	33,050
Prepaid expenses and deposits	<u>99,641</u>	<u>40,849</u>
Total Current Assets	6,101,982	5,657,200
Cash Restricted for Capital Improvements	438,799	457,686
Long-term Unconditional Promises to Give, less current portion above	172,339	27,500
Interest in Affiliated Entity	2,561,528	2,657,444
Property and Equipment, at cost, less accumulated depreciation	<u>12,210,689</u>	<u>12,059,755</u>
Total Assets	<u>\$ 21,485,337</u>	<u>\$ 20,859,585</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 457,743	\$ 264,237
Deposits	256,495	159,239
Current portion of long-term debt	<u>18,965</u>	<u>18,400</u>
Total Current Liabilities	733,203	441,876
Long-Term Debt - New Markets	4,900,000	4,900,000
Long-Term Debt - other, less current portion above	<u>56,634</u>	<u>57,158</u>
Total Long-Term Liabilities	<u>4,956,634</u>	<u>4,957,158</u>
Total Liabilities	<u>5,689,837</u>	<u>5,399,034</u>
Net Assets:		
Unrestricted:		
Undesignated	13,845,394	14,005,809
Board designated	<u>746,812</u>	<u>703,551</u>
Total Unrestricted Net Assets	14,592,206	14,709,360
Temporarily restricted	1,196,611	744,508
Permanently restricted	<u>6,683</u>	<u>6,683</u>
Total Net Assets	<u>15,795,500</u>	<u>15,460,551</u>
Total Liabilities and Net Assets	<u>\$ 21,485,337</u>	<u>\$ 20,859,585</u>

*See accompanying notes*

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS Year Ended December 31, 2012

(With comparative totals for the year ended December 31, 2011)

	2012			Totals	2011 Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Grants and Contributions	\$ 4,190,802	\$ 1,172,989	\$ -	\$ 5,363,791	\$ 4,477,988
Other Support and Revenue:					
Special events:					
Special event income	1,146,465	-	-	1,146,465	931,119
Special event expenses	<u>(411,224)</u>	<u>-</u>	<u>-</u>	<u>(411,224)</u>	<u>(309,143)</u>
Net special event income	735,241	-	-	735,241	621,976
Membership dues and program service fees	83,540	-	-	83,540	78,650
Rental income	155,663	-	-	155,663	145,157
Investment return	38,523	30,398	-	68,921	4,083
Equity in earnings of affiliated entity	(95,916)	-	-	(95,916)	(43,279)
Other income	609,551	-	-	609,551	935,134
Net assets released from restrictions	<u>751,284</u>	<u>(751,284)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Support and Revenue	<u>2,277,886</u>	<u>(720,886)</u>	<u>-</u>	<u>1,557,000</u>	<u>1,741,721</u>
Total Support and Revenue	6,468,688	452,103	-	6,920,791	6,219,709
Expenses:					
Program services	5,077,715	-	-	5,077,715	5,413,340
Supporting services:					
Fundraising	627,835	-	-	627,835	470,971
Management and general	<u>880,292</u>	<u>-</u>	<u>-</u>	<u>880,292</u>	<u>871,294</u>
Total Supporting Services	<u>1,508,127</u>	<u>-</u>	<u>-</u>	<u>1,508,127</u>	<u>1,342,265</u>
Total Expenses	<u>6,585,842</u>	<u>-</u>	<u>-</u>	<u>6,585,842</u>	<u>6,755,605</u>
Change in Net Assets	(117,154)	452,103	-	334,949	(535,896)
Net Assets, Beginning of Year	<u>14,709,360</u>	<u>744,508</u>	<u>6,683</u>	<u>15,460,551</u>	<u>15,996,447</u>
Net Assets, End of Year	<u>\$ 14,592,206</u>	<u>\$ 1,196,611</u>	<u>\$ 6,683</u>	<u>\$ 15,795,500</u>	<u>\$ 15,460,551</u>

*See accompanying notes*

## BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

(With comparative totals for the year ended December 31, 2011)

	2012			Total	2011
	Program	Fundraising	Management and General		
Salaries	\$ 2,087,146	\$ 359,599	\$ 394,486	\$ 2,841,231	\$ 2,898,957
Employee benefits	379,099	81,362	100,816	561,277	513,107
Professional fees	133,591	41,618	135,431	310,640	252,515
Supplies	412,102	7,354	20,558	440,014	408,237
Telephone	55,157	8,919	7,348	71,424	71,000
Postage	3,155	8,359	1,739	13,253	7,446
Occupancy	756,757	44,822	27,816	829,395	818,247
Printing and subscriptions	19,609	7,144	-	26,753	7,083
Transportation	76,622	5,529	6,106	88,257	83,913
Equipment rental/maintenance	21,071	3,159	1,845	26,075	27,704
Food and beverage	170,287	1,354	4,443	176,084	180,425
Dues and contributions	119,950	7,872	35,897	163,719	434,779
Bank fees	-	-	78,395	78,395	87,184
Marketing and advertising	58,656	14,204	-	72,860	73,915
Training	23,084	3,655	8,696	35,435	41,624
Miscellaneous	3,299	-	977	4,276	14,052
Interest	1,790	-	22,855	24,645	24,623
	4,321,375	594,950	847,408	5,763,733	5,944,811
Total Expenses Before Depreciation					
Depreciation	756,340	32,885	32,884	822,109	810,794
	\$ 5,077,715	\$ 627,835	\$ 880,292	\$ 6,585,842	\$ 6,755,605
Total Functional Expenses					

*See accompanying notes*

## BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

### CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

(With comparative totals for the year ended December 31, 2011)

	2012	2011
Cash Flows From Operating Activities:		
Change in net assets	\$ 334,949	\$ (535,896)
Adjustments to reconcile change in net assets to net cash flows (used) provided by operating activities:		
Depreciation	822,109	810,794
Contributions restricted for capital improvements	(1,172,989)	(460,686)
Donated vehicle	(31,125)	(10,825)
Donated stock	(230,873)	(43,745)
Loss on disposal of property	-	9,593
Realized and unrealized (gain) loss on investments	(54,547)	13,208
Net capital campaign activity	(440,591)	189,596
Interest in affiliated entity	95,916	43,279
Change in operating assets and liabilities:		
Accounts and grants receivable	82,665	8,221
Prepaid expenses and deposits	(58,792)	7,981
Accounts payable, accrued expenses and deposits	256,278	19,414
Net Cash (Used) Provided by Operating Activities	(397,000)	50,934
Cash Flows from Investing Activities:		
Change in assets for acquisition of Wagner	18,887	(109,276)
Purchase of property and equipment	(886,834)	(44,737)
Proceeds from sale of investments	706,092	417,353
Purchase of investments	(475,027)	(401,858)
Net Cash Used by Investing Activities	(636,882)	(138,518)
Cash Flows from Financing Activities:		
Contributions restricted for capital improvements	1,172,989	460,686
Repayment of long-term debt	(20,559)	(39,924)
Net line of credit activity	-	(400,000)
Net Cash Provided by Financing Activities	1,152,430	20,762
Net Change in Cash and Cash Equivalents	118,548	(66,822)
Cash and Cash Equivalents, Beginning of Year	780,341	847,163
Cash and Cash Equivalents, End of Year	\$ 898,889	\$ 780,341

*See accompanying notes*



# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization - Boys and Girls Clubs of Greater Kansas City** (the Clubs) is a Missouri not-for-profit corporation organized to promote educational, vocational, social, character and leadership development of youth. The aim is to help young people improve their lives by building self-esteem and developing values and skills during critical periods of growth. The Clubs' donors and program participants are mainly located in the Kansas City, Missouri metropolitan area.

**Boys and Girls Clubs New Markets, Inc.** (the Markets) was formed under the laws of Missouri on December 8, 2009, to meet the necessary structuring requirements to enter into a transaction intended to qualify for the New Markets Tax Credit, as outlined in Internal Revenue Code (IRC) Section 45D.

**Advertising** - The Clubs expense advertising costs as they are incurred. During 2012, \$72,860 was expensed.

**Basis of Accounting** - The financial statements have been prepared on the accrual basis of accounting.

**Basis of Presentation** - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") in FASB ASC 958-210. Under FASB ASC 958-210, the Clubs are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Board Designated Net Assets** - Board designated net assets consist primarily of reserves for specific uses, including operating reserves, endowment funds and other reserves.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, cash consists of cash, non-interest-bearing checking accounts and short-term money market investments. Cash does not include cash restricted for long-term purposes such as capital improvements.

**Comparative Information** - The financial statements include certain prior year summarized information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Clubs' financial statements for the year ended December 31, 2011 from which the information is derived.

**Concentration of Risk** - The Clubs maintain their cash balances in four financial institutions located in the greater Kansas City, Missouri area. These balances are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$250,000 at December 31, 2012, or are included in noninterest-bearing transaction accounts that are fully insured by the FDIC. The Clubs also have cash invested with an investment company that is not insured by the FDIC and is subject to normal investment risk. At December 31, 2012, the Clubs had \$357,447 in cash balances which were uninsured.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Donated Assets and Services** – Donated assets are reflected as contributions at their estimated fair market value at the date of receipt. During the year, \$54,750 of advertising, \$12,350 of equipment and supplies, one vehicle valued at \$31,125, \$18,000 of printing, repairs valued at \$7,000, and other miscellaneous non-cash donations of \$140,375 were donated. Four stock donations were received during the year with fair market values at the date of the gifts totaling \$230,873. In addition, a substantial number of volunteers have donated thousands of hours of their time during the years ended December 31, 2012 and 2011, which do not meet the requirements of contributions under Statement of Financial Accounting Standards FASB ASC 958-605 and, accordingly, are not recorded in these financial statements.

**Functional Expenses** – The Clubs allocate expenses on a functional basis among the various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the program or support service.

**Income Taxes** - The Clubs are classified as tax exempt under Section 501(c)(3) of the Internal Revenue Code and do not incur income taxes. In addition, the Clubs have been classified as a publicly-supported organization which is not a private foundation within the meaning of Section 509(a)(1) of the code.

The Clubs have adopted FASB ASC 740-10 as it might apply to the Clubs' financial transactions. The Clubs' policy is to record a liability for any tax position that is beneficial to the Clubs, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2012 and, accordingly, no liability has been accrued. However, in general, tax years for the three prior years remain subject to IRS examination.

**Investments** - Investments in marketable securities with readily determinable fair market values and all investments in debt securities are stated at fair market value. Unrealized gains and losses are included in investment income in the accompanying statement of activities.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Permanently Restricted Net Assets** – Permanently restricted net assets consist of a single contribution of cash, the interest on which is to be used for scholarships. Amounts received during the year that are permanently restricted by donors are recorded as being permanently restricted. Earnings on permanently restricted net assets that are to be expended in accordance with the desires of donors are recorded as temporarily restricted net assets. Once expenses are incurred for their donor-restricted purpose the earnings are released from restriction.

**Principles of Consolidation** - The consolidated statements of the **Clubs** and the **Markets** are prepared in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit related by common control. All material intercompany balances and transactions have been eliminated in consolidation.

**Property and Equipment** - Property and equipment are stated at cost at the date of acquisition or fair market value at date of donation, over a nominal amount, in the case of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. Lives for depreciation are as follows:

Building and improvements	10 - 30 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 5 years

**Reclassifications** – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The main changes were to increase contributions and program expenses by \$242,427 for non-cash contributions received by the Clubs in 2011 but not recorded. All of these gifts were fully used during the prior year, and therefore there is no change to the net asset accounts.

**Subsequent Events** - Management has evaluated events and transactions that have occurred since December 31, 2012 and reflected their effects, if any, in these financial statements through September 25, 2013, the date the financial statements were available to be issued.

**Temporarily Restricted Net Assets** – Amounts received during the years that are temporarily restricted by donors or amounts earned on temporarily restricted assets are recorded as temporarily restricted revenue. Temporarily restricted assets are released from restriction when the expenses are incurred for their designated purpose.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Temporarily Restricted Net Assets (continued)** - Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Unconditional Promise to Give** – Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles 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.

### 2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

The following table sets forth information about the level within the fair value hierarchy at which the Clubs' financial assets and liabilities are measured on a recurring basis at December 31, 2012:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:			
Investments:			
Cash and cash equivalents	\$ 5,809	\$ 5,723	\$ 86
Equities:			
Domestic	574,314	542,732	31,582
Fixed Income:			
Domestic	<u>205,425</u>	<u>184,784</u>	<u>20,641</u>
 Total Assets, recurring basis	 <u>\$ 785,548</u>	 <u>\$ 733,239</u>	 <u>\$ 52,309</u>

The following table sets forth information about the level within the fair value hierarchy at which the Clubs' financial assets and liabilities are measured on a recurring basis at December 31, 2011:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:			
Investments:			
Cash and cash equivalents	\$ 12,685	\$ 12,603	\$ 82
Equities:			
Domestic	523,676	494,313	29,363
Fixed Income:			
Domestic	<u>194,832</u>	<u>175,070</u>	<u>19,762</u>
 Total Assets, recurring basis	 <u>\$ 731,193</u>	 <u>\$ 681,986</u>	 <u>\$ 49,207</u>

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) include investments with a community foundation:

December 31, 2010	\$	52,355
Total gains or losses (realized/unrealized)		(1,451)
Grants approved		(2,414)
Net investment income/fees		717
December 31, 2011		49,207
Total gains or losses (realized/unrealized)		4,835
Grants approved		(2,516)
Net investment income/fees		783
December 31, 2012	\$	52,309

The amount of total gains or losses for the year ended December 31, 2012 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date is \$4,363.

Gains and losses (realized and unrealized) for 2012 included in unrestricted net assets for the year are reported in investment return as \$4,835.

Fair value for the beneficial interest in community foundation (Level 3) is based upon the stated fair value obtained from the community foundation.

### 3. INVESTMENTS

Investments at December 31 consisted of the following:

	2012	2011
Exchange traded funds	\$ 548,657	\$ 494,313
Cash and cash equivalents	5,809	12,685
Fixed income securities	205,425	194,832
Common stock	25,657	29,363
Total Investments	\$ 785,548	\$ 731,193

Return from investments is summarized as follows:

Interest and dividends	\$ 19,581	\$ 19,927
Net realized gains	385	20,539
Net unrealized gains (losses)	54,162	(33,747)
Management fees	(5,207)	(2,636)
Total Investment Return	\$ 68,921	\$ 4,083

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 4. UNCONDITIONAL PROMISES TO GIVE

Included in unconditional promises to give are unconditional promises to give to operations and capital campaigns:

	2012	2011
Unconditional promises to give:		
Capital campaign pledges	\$ 503,802	\$ 60,550
Less: Unamortized discount	2,661	-
	501,141	60,550
Less: Allowance for uncollectibles	-	-
Net unconditional promise to give	\$ 501,141	\$ 60,550

Amounts due in:

Years Ending December 31,

2013	\$ 328,802
2014	135,000
2015	20,000
2016	20,000
Total	\$ 503,802

### 5. CONDITIONAL PROMISES RECEIVED

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional pledges at December 31, 2012 were \$1,000,000.

### 6. INTEREST IN AFFILIATED ENTITY

The Clubs have entered into a joint venture with Mt. Carmel Redevelopment Corporation (MCRC), an unrelated not-for-profit organization, to construct and operate a community center in Kansas City, Kansas. During December 2004, the Clubs formalized this venture by forming Heathwood Community Center LLC (HCC), a not-for-profit organized under Internal Revenue Code Section 501(c)(3). The operating agreement provides for each entity to maintain 50% control over the project. The Clubs have accounted for their interest in HCC under the equity method of accounting and have included the value on the statement of financial position as an interest in affiliated entity. Any inter-company transactions have been eliminated. In addition to the capital campaign being run in conjunction with HCC, the Clubs have integrated the capital campaign to include raising funds for the development of J & D Wagner Facility.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 7. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	2012	2011
Buildings and improvements	\$ 20,225,956	\$ 19,367,086
Furniture and equipment	1,221,320	1,157,074
Vehicles	210,542	162,457
	21,657,818	20,686,617
Accumulated depreciation	(10,240,199)	(9,426,932)
	11,417,619	11,259,685
Land	793,070	793,070
Construction in progress	-	7,000
Total Property and Equipment	\$ 12,210,689	\$ 12,059,755

The aggregate depreciation expense charged to operations for the years ended December 31, 2012 and 2011 was \$822,109 and \$810,794, respectively.

### 8. LINE OF CREDIT

The Clubs have a \$500,000 bank line of credit that has a variable rate of interest based on the UMB prime rate. The interest rate at December 31, 2012 was 3.25%. The line of credit was renewed in April, 2012 for one year. It was renewed again in April, 2013 for another year. The loan is secured by the endowment assets. The Clubs were not in compliance with a covenant to supply audited financial statements to the lender within a specified time period after year-end. The lender has waived that requirement for this year.

\$           -      \$           -

### 9. LONG-TERM DEBT

Note bearing interest at 1.39%, payable in quarterly installments of \$12,914, interest only through February, 2017 at which time principal and interest payments of \$36,092 per quarter will be due. The loan matures on February 19, 2045. The loan is collateralized by property owned by the Clubs (\*Leslie property, East 43<sup>rd</sup> property and Elmwood property). The Clubs were not in compliance with a covenant to supply audited financial statements to the lender within a specified time period after year-end. The lender has waived that requirement for this year.

\$ 3,726,000      \$ 3,726,000



# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**9. LONG-TERM DEBT (continued)**

	2012	2011
<p>Note bearing interest at 1.39%, payable in quarterly installments of \$4,069, interest only until February 2017 at which time quarterly interest and principal payments of \$11,371 will be due. The loan matures on February 19, 2045. The loan is collateralized by property owned by the Clubs*. The Clubs were not in compliance with a covenant to supply audited financial statements to the lender within a specified time period after year-end. The lender has waived that requirement for this year.</p>	1,174,000	1,174,000
<p>Note bearing interest at 7.23%, payable in monthly installments of \$903 including interest. Final payment is due May, 2012. The note is collateralized by the vehicle financed by this note.</p>		-
<p>Note bearing interest at 4.2%, payable in monthly installments of \$587 including interest. Final payment is due October, 2017. The note is collateralized by the vehicle financed by this note.</p>	30,763	36,257
<p>Note bearing interest at 1.88%, interest and principal payments of \$389 due through March, 2014 at which time any interest and remaining principal payments become due. The note is collateralized by the vehicle financed by this note.</p>	5,652	9,934
<p>Note bearing interest at 4.0%, interest and principal payments of \$380 due through June 2017 at which time any interest and remaining principal payments become due. The note is collateralized by the vehicle financed by this note.</p>	18,698	-
<p>Note bearing interest at 5.0%, interest and principal payments of \$472 due through January, 2017 at which time any interest and remaining principal payments become due. The note is collateralized by the vehicle financed by this note. The Clubs were not in compliance with a covenant to supply audited financial statements to the lender within a specified time period after year-end. The lender has waived that requirement for this year.</p>	20,486	25,000

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**9. LONG-TERM DEBT (continued)**

	4,975,599	4,975,558
Current portion of long-term debt	<u>(18,965)</u>	<u>(18,400)</u>
Total Long-term Debt	<u>\$ 4,956,634</u>	<u>\$ 4,957,158</u>

Maturities on long-term debt are as follows:

<u>Years Ending December 31</u>		
2013	\$	18,965
2014		16,280
2015		15,803
2016		16,514
2017		99,796
Thereafter		<u>4,808,240</u>
Total	\$	<u>4,975,598</u>

**10. ENDOWMENTS**

The Board of Directors of the Clubs have interpreted the Missouri Uniform State 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 Clubs classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 10. ENDOWMENTS (continued)

As of December 31, 2012, the Board of Directors had designated \$450,798 of unrestricted net assets as a general endowment for membership and college scholarships for kids. Since this amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets. In addition, donors had contributed an additional \$256,671 for the same purpose. These funds are classified as temporarily restricted net assets until used for the purposes the donor stipulated.

The Clubs have a combined 5% spending policy of appropriating for distribution each year of the temporarily restricted portion of the endowment's fair value and of the board-designated unrestricted portion of the endowment's fair value. In establishing this policy, the Clubs considered the long-term expected investment return on its endowment. Accordingly, over the long-term, the Clubs expect the current spending policy to allow this endowment fund to grow at an average of 5% annually. This is consistent with the Clubs' objective to maintain the historic dollar value of the endowment assets as well as to provide additional growth through investment return.

To achieve that objective, the Clubs have adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a variety of equity mutual funds that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make the annual distributions while growing the fund if possible. The Clubs have established the following ranges by investment type: equities – 40% to 70%; fixed income – 30% to 60%; cash and equivalents – 0% to 30%; and alternative assets – 0% to 10%. The Clubs expect its endowment assets, over time, to produce an average rate of return over inflation, as measured by the Consumer Price Index, of approximately 5% annually, after fees. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocations between asset classes and strategies are managed to not expose the fund to unacceptable risks.

Composition of and changes in endowment net assets for the year ended December 31, 2012 were as follows:

	<u>Board- Designated</u>	<u>Donor- Restricted</u>
Net assets, beginning of year	\$ 426,790	\$ 226,273
Contributions	-	9,000
Investment income	9,669	8,617
Net appreciation	34,201	30,485
Fees and disbursement amounts appropriated for expenditure	<u>(19,862)</u>	<u>(17,704)</u>
Net assets, end of year	<u>\$ 450,798</u>	<u>\$ 256,671</u>

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 10. ENDOWMENTS (continued)

Composition of and changes in endowment net assets for the year ended December 31, 2011 were as follows:

	Board- Designated	Donor- Restricted
Net assets, beginning of year	\$ 454,092	\$ 209,703
Contributions	-	29,294
Investment income	12,408	5,783
Net depreciation	(15,274)	(7,118)
Fees and disbursement amounts appropriated for expenditure	(24,436)	(11,389)
Net assets, end of year	\$ 426,790	\$ 226,273

### 11. OPERATING LEASES

The Clubs lease office space and certain equipment under operating leases. Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year are as follows:

Year Ending December 31,	Equipment	Office	Total
2013	\$ 18,456	\$ 113,832	\$ 132,288
2014	15,380	116,109	131,489
Totals	\$ 33,836	\$ 229,941	\$ 263,777

The equipment lease and the office lease both end in December, 2014. Total rental expense under operating leases with terms in excess of one month amounted to \$142,139 and \$154,228 for the years ended December 31, 2012 and 2011, respectively.

### 12. PENSION PLAN

The Clubs have a defined contribution pension plan covering substantially all full-time employees who have completed at least one year of service. The Clubs make discretionary contributions based on the participants' qualifying wages and their contributions through compensation reduction. No discretionary contributions were made in 2012. The 401K match was \$56,197 and \$42,834 for the years ending December 31, 2012 and 2011, respectively.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 13. CASH FLOW DISCLOSURES

Designated cash includes funds that have been designated by the Board of Directors for specific uses, including operating reserves, and other reserves.

	2012	2011
The following is the supplemental disclosure to the statement of cash flows:		
Cash paid for interest	<u>\$ 29,499</u>	<u>\$ 24,623</u>
The following is a summary of non-cash investing and financing activities:		
Property and equipment acquired using debt	<u>\$ 20,600</u>	<u>\$ 62,300</u>
Property and equipment acquired using accounts payable	<u>\$ 34,484</u>	<u>\$ -</u>

### 14. NEW MARKETS TAX CREDIT

In 2010, **Boys and Girls Clubs New Markets, Inc.** obtained financing through the New Market Tax Credit (NMTC) program. The proceeds of \$4,900,000 were used to rehabilitate property owned by the Clubs. The NMTC financing is provided through two loans, an "A" loan and a "B" loan. Loan A, in the amount of \$3,726,000 is at a fixed rate of 1.38639% per annum and requires quarterly interest payments of \$12,914 until February 2017 at which time quarterly principal and interest payments of \$36,092 will be due with a maturity date of February 19, 2045. No prepayment is allowed during the first seven years. Loan B, in the amount of \$1,174,000 is at a fixed rate of 1.38639% per annum and requires quarterly interest payments of \$4,069 until February, 2017 at which time quarterly principal and interest payments of \$11,371 will be due with a maturity date of February 19, 2045. No prepayment is allowed during the first seven years.

In addition, the Clubs loaned KCMO Investment Fund I, LLC \$3,726,000 which was used as the investment into KCMO CDE I, LLC which is the Community Development Entity that loaned the funds to **Boys and Girls Clubs New Markets, Inc.** The loan term is 30 years at a rate of 1.96833% and requires quarterly principal and interest payments to the Clubs of \$46,214. This loan along with a \$1,306,500 capital investment from U.S. Bancorp Community Development Corporation funded KCMO Investment Fund I, LLC.

At the end of the seven-year term, a put/call agreement may be exercised whereby U.S. Bancorp Community Development Corporation's interest is sold to the Clubs.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 15. RESTRICTED NET ASSETS

Restricted net assets consist of the following for the year ended December 31, 2012:

<u>Temporarily restricted net assets</u>		
Endowment funds	\$	256,671
Campaign funds		438,799
Total purpose restrictions		695,470
Pledges receivable restricted for future periods		501,141
Total time restrictions		501,141
Total Temporarily Restricted Net Assets	\$	1,196,611
<u>Permanently restricted net assets</u>		
Endowment funds	\$	6,683

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows for the year ended December 31, 2012.

Funds restricted for Leslie project	\$	751,284
Net Assets Released from Restrictions	\$	751,284

### 16. RESTATEMENT OF FINANCIAL STATEMENTS

During 2012, management discovered that board-designated assets for Heathwood had been erroneously classified as temporarily restricted. The following restatement is necessary to reclassify net assets.

	As Previously Reported	Restatement Amount	As Restated
Statement of Financial Position:			
Designated cash	\$ 251,116	\$ 25,645	\$ 276,761
Total cash and cash equivalents	754,696	25,645	780,341
Total current assets	5,631,555	25,645	5,657,200
Cash restricted for capital improvements	483,331	(25,645)	457,686
Board designated net assets	426,790	276,761	703,551
Total unrestricted net assets	14,432,599	276,761	14,709,360
Temporarily restricted net assets	1,021,269	(276,761)	744,508
Statement of Cash Flows:			
Change in assets for acquisition of Wagner	(109,921)	645	(109,276)
Net cash used by investing activities	(139,163)	645	(138,518)
Net change in cash and cash equivalents	(67,467)	645	(66,822)
Cash and cash equivalents, beginning of year	822,163	25,000	847,163
Cash and cash equivalents, end of year	754,696	25,645	780,341

## **SUPPLEMENTAL INFORMATION**



Keller & Owens, LLC

*Certified Public Accountants*

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors

**Boys and Girls Clubs of Greater Kansas City**

We have audited the consolidated financial statements of **Boys and Girls Clubs of Greater Kansas City** as of and for the year ended December 31, 2012, and our report thereon dated September 25, 2013, which contained an unmodified opinion on those financial statements, appears on pages 1 - 2. We have previously issued our opinion dated September 4, 2012 on the 2011 financial statements and supplemental information. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 20 - 22 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 the consolidated financial statements as a whole.

Overland Park, KS  
September 25, 2013



# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION December 31, 2012

(With comparative totals as of December 31, 2011)

	<u>ASSETS</u>				
	<u>2012</u>				<u>2011</u>
	<u>Boys &amp; Girls Clubs of Greater Kansas City</u>	<u>Boys &amp; Girls Clubs New Markets Inc.</u>	<u>Eliminations</u>	<u>Total</u>	
<b>Current Assets:</b>					
Cash and cash equivalents:					
Operating	\$ 581,857	\$ 21,017	\$ -	\$ 602,874	\$ 503,580
Designated cash	296,015	-	-	296,015	276,761
Total Cash and Cash Equivalents	877,872	21,017	-	898,889	780,341
Investments	785,548	-	-	785,548	731,193
Grants and accounts receivable	263,102	-	-	263,102	345,767
Note receivable - KCMO Investment Fund	3,726,000	-	-	3,726,000	3,726,000
Unconditional promises to give, current portion					
less allowance for uncollectibles	328,802	-	-	328,802	33,050
Prepaid expenses and deposits	99,641	-	-	99,641	40,849
Total Current Assets	6,080,965	21,017	-	6,101,982	5,657,200
Cash Restricted for Capital Improvements	438,799	-	-	438,799	457,686
Long-term Unconditional Promises to Give,					
less current portion above	172,339	-	-	172,339	27,500
Interest in Affiliated Entity	2,561,528	-	-	2,561,528	2,657,444
Property and Equipment, at cost,					
less accumulated depreciation	3,123,156	9,087,533	-	12,210,689	12,059,755
Total Assets	\$ 12,376,787	\$ 9,108,550	\$ -	\$ 21,485,337	\$ 20,859,585
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 457,743	\$ -	\$ -	\$ 457,743	\$ 264,237
Deposits	256,495	-	-	256,495	159,239
Line of credit	-	-	-	-	-
Current portion of long-term debt	18,965	-	-	18,965	18,400
Total Current Liabilities	733,203	-	-	733,203	441,876
Long-Term Debt - New Markets	-	4,900,000	-	4,900,000	4,900,000
Long-Term Debt - other, less current portion above	56,634	-	-	56,634	57,158
Total Long-Term Liabilities	56,634	4,900,000	-	4,956,634	4,957,158
Total Liabilities	789,837	4,900,000	-	5,689,837	5,399,034
<b>Net Assets:</b>					
Unrestricted:					
Undesignated	9,636,844	4,208,550	-	13,845,394	14,005,809
Board designated	746,812	-	-	746,812	703,551
Total Unrestricted Net Assets	10,383,656	4,208,550	-	14,592,206	14,709,360
Temporarily restricted	1,196,611	-	-	1,196,611	744,508
Permanently restricted	6,683	-	-	6,683	6,683
Total Net Assets	11,586,950	4,208,550	-	15,795,500	15,460,551
Total Liabilities and Net Assets	\$ 12,376,787	\$ 9,108,550	\$ -	\$ 21,485,337	\$ 20,859,585

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS Year Ended December 31, 2012

(With comparative totals for the year ended December 31, 2011)

	2012				2011
	Boys & Girls Clubs of Greater Kansas City	Boys & Girls Clubs New Markets, Inc.	Eliminations	Totals	
Grants and Contributions	\$ 5,363,791	\$ 80,973	\$ (80,973)	\$ 5,363,791	\$ 4,477,988
Other Support and Revenue:					
Special events:					
Special event income	1,146,465	-	-	1,146,465	931,119
Special event expenses	(411,224)	-	-	(411,224)	(309,143)
Net special event income	735,241	-	-	735,241	621,976
Membership dues and program service fees	83,540	-	-	83,540	78,650
Rental income	155,663	-	-	155,663	145,157
Investment return	68,917	4	-	68,921	4,083
Equity in earnings of affiliated entity	(95,916)	-	-	(95,916)	(43,279)
Other income	609,551	-	-	609,551	935,134
Total Other Support and Revenue	<u>1,556,996</u>	<u>4</u>	<u>-</u>	<u>1,557,000</u>	<u>1,741,721</u>
Total Support and Revenue	6,920,787	80,977	(80,973)	6,920,791	6,219,709
Expenses:					
Program services	4,745,101	413,587	(80,973)	5,077,715	5,413,340
Supporting services:					
Fundraising	609,886	17,949	-	627,835	470,971
Management and general	781,472	98,820	-	880,292	871,294
Total Supporting Services	<u>1,391,358</u>	<u>116,769</u>	<u>-</u>	<u>1,508,127</u>	<u>1,342,265</u>
Total Expenses	<u>6,136,459</u>	<u>530,356</u>	<u>(80,973)</u>	<u>6,585,842</u>	<u>6,755,605</u>
Change in Net Assets	784,328	(449,379)	-	334,949	(535,896)
Net Assets, Beginning of Year	<u>10,802,622</u>	<u>4,657,929</u>	<u>-</u>	<u>15,460,551</u>	<u>15,996,447</u>
Net Assets, End of Year	<u>\$ 11,586,950</u>	<u>\$ 4,208,550</u>	<u>\$ -</u>	<u>\$ 15,795,500</u>	<u>\$ 15,460,551</u>

## BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

### CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

(With comparative totals for the year ended December 31, 2011)

	2012				2011
	Boys & Girls Clubs of Greater Kansas City	Boys & Girls Clubs New Markets Inc.	Eliminations	Total	
Cash Flows From Operating Activities:					
Change in net assets	\$ 784,328	\$ (449,379)	\$ -	\$ 334,949	\$ (535,896)
Adjustments to reconcile change in net assets to net cash flows (used) provided by operating activities:					
Depreciation	372,622	449,487	-	822,109	810,794
Contributions restricted for capital improvements	(1,172,989)	-	-	(1,172,989)	(460,686)
Loss on disposal of property	-	-	-	-	9,593
Donated vehicle	(31,125)	-	-	(31,125)	(10,825)
Donated stock	(230,873)	-	-	(230,873)	(43,745)
Realized and unrealized gain on investments	(54,547)	-	-	(54,547)	13,208
Net capital campaign activity	(440,591)	-	-	(440,591)	189,596
Interest in affiliated entity	95,916	-	-	95,916	43,279
Change in operating assets and liabilities:					
Accounts and grants receivable	82,665	-	-	82,665	8,221
Prepaid expenses and deposits	(58,792)	-	-	(58,792)	7,981
Accounts payable, accrued expenses and deposits	256,278	-	-	256,278	19,414
<b>Net Cash (Used) Provided by Operating Activities</b>	<b>(397,108)</b>	<b>108</b>	<b>-</b>	<b>(397,000)</b>	<b>50,934</b>
Cash Flows from Investing Activities:					
Change in assets for acquisition of Wagner	18,887	-	-	18,887	(109,276)
Purchase of property and equipment	(886,834)	-	-	(886,834)	(44,737)
Proceeds from sale of investments	706,092	-	-	706,092	417,353
Purchase of investments	(475,027)	-	-	(475,027)	(401,858)
<b>Net Cash Used by Investing Activities</b>	<b>(636,882)</b>	<b>-</b>	<b>-</b>	<b>(636,882)</b>	<b>(138,518)</b>
Cash Flows from Financing Activities:					
Contributions restricted for capital improvements	1,172,989	-	-	1,172,989	460,686
Repayment of long-term debt	(20,559)	-	-	(20,559)	(39,924)
Net line of credit activity	-	-	-	-	(400,000)
<b>Net Cash Provided by Financing Activities</b>	<b>1,152,430</b>	<b>-</b>	<b>-</b>	<b>1,152,430</b>	<b>20,762</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>118,440</b>	<b>108</b>	<b>-</b>	<b>118,548</b>	<b>(66,822)</b>
Cash and Cash Equivalents, Beginning of Year	759,432	20,909	-	780,341	847,163
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 877,872</b>	<b>\$ 21,017</b>	<b>\$ -</b>	<b>\$ 898,889</b>	<b>\$ 780,341</b>