



BOYS & GIRLS CLUBS
OF GREATER KANSAS CITY

FINANCIAL STATEMENTS

Year Ended December 31, 2007
with
Report of Independent Auditors

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

FINANCIAL STATEMENTS

December 31, 2007

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Keller & Owens, LLC

Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Boys and Girls Clubs of Greater Kansas City

We have audited the accompanying statement of financial position of **Boys and Girls Clubs of Greater Kansas City** as of December 31, 2007, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Clubs' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Clubs' 2006 financial statements and, in our report dated July 31, 2006, we expressed an unqualified opinion on those financial statements.

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 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 financial statements referred to above present fairly, in all material respects, the financial position of **Boys and Girls Clubs of Greater Kansas City** as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

August 1, 2008

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

STATEMENT OF FINANCIAL POSITION
December 31, 2007

(With comparative totals as of December 31, 2006)

	<u>ASSETS</u>	
	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash and cash equivalents:		
Operating	\$ 33,155	\$ 55,591
Capital campaigns	759,986	1,364,614
Designated cash	493,334	518,519
Total Cash and Cash Equivalents	<u>1,286,475</u>	<u>1,938,724</u>
Investments	726,337	1,228,211
Grants and accounts receivable	85,037	286,600
Unconditional promises to give, current portion		
less allowance for uncollectibles	275,487	216,968
Prepaid expenses and deposits	37,103	85,531
Total Current Assets	<u>2,410,439</u>	<u>3,756,034</u>
Long-term Unconditional Promises to Give,		
less current portion above	11,899	438,495
Beneficiary Interest in Trusts	1,312,557	1,258,485
Interest in Affiliated Entity	2,485,023	2,113,635
Property and Equipment, at cost,		
less accumulated depreciation	<u>11,695,704</u>	<u>10,261,949</u>
Total Assets	<u>\$ 17,915,622</u>	<u>\$ 17,828,598</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:		
Accounts payable and accrued expenses	\$ 706,579	\$ 514,097
Deposits	146,413	135,573
Line of credit	483,000	160,757
Current portion of long-term debt	<u>126,425</u>	<u>116,685</u>
Total Current Liabilities	1,462,417	927,112
Long-Term Debt, less current portion above	<u>358,300</u>	<u>395,994</u>
Total Liabilities	<u>1,820,717</u>	<u>1,323,106</u>
Net Assets:		
Unrestricted:		
Undesignated	13,143,605	12,053,329
Board designated	497,090	969,015
Total Unrestricted Net Assets	<u>13,640,695</u>	<u>13,022,344</u>
Temporarily restricted	2,447,527	3,476,465
Permanently restricted	<u>6,683</u>	<u>6,683</u>
Total Net Assets	<u>16,094,905</u>	<u>16,505,492</u>
Total Liabilities and Net Assets	<u>\$ 17,915,622</u>	<u>\$ 17,828,598</u>

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS Year Ended December 31, 2007

(With comparative totals for the year ended December 31, 2006)

	2007			2006	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Totals
Grants and Contributions	\$ 4,295,768	\$ 767,443	\$ -	\$ 5,063,211	\$ 5,430,765
Other Support and Revenue:					
Special events:					
Special event income	806,034	-	-	806,034	942,064
Special event expenses	<u>(305,969)</u>	<u>-</u>	<u>-</u>	<u>(305,969)</u>	<u>(293,789)</u>
Net special event income	500,065	-	-	500,065	648,275
Membership Dues and Program Service Fees	40,943	-	-	40,943	129,473
Reimbursed Expenses	133,485	-	-	133,485	158,497
Investment Income	50,808	-	-	50,808	195,188
Equity in Earnings of Affiliated Entity	(75,095)	-	-	(75,095)	932,319
Other Income	154,709	-	-	154,709	105,859
Net Assets Released from Restrictions	<u>1,749,381</u>	<u>(1,749,381)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Support and Revenue	<u>2,554,296</u>	<u>(1,749,381)</u>	<u>-</u>	<u>804,915</u>	<u>2,169,611</u>
 Total Support and Revenue	 6,850,064	 (981,938)	 -	 5,868,126	 7,600,376
Expenses:					
Program services	4,928,394	-	-	4,928,394	5,126,346
Supporting services:					
Fundraising	429,437	-	-	429,437	493,287
Management and general	<u>873,882</u>	<u>-</u>	<u>-</u>	<u>873,882</u>	<u>871,316</u>
Total Supporting Services	<u>1,303,319</u>	<u>-</u>	<u>-</u>	<u>1,303,319</u>	<u>1,364,603</u>
 Total Expenses	 6,231,713	 -	 -	 6,231,713	 6,490,949
Bad debt loss	<u>-</u>	<u>47,000</u>	<u>-</u>	<u>47,000</u>	<u>-</u>
Total Expenses and Losses	<u>6,231,713</u>	<u>47,000</u>	<u>-</u>	<u>6,278,713</u>	<u>6,490,949</u>
 Change in Net Assets	 618,351	 (1,028,938)	 -	 (410,587)	 1,109,427
Net Assets, Beginning of Year	<u>13,022,344</u>	<u>3,476,465</u>	<u>6,683</u>	<u>16,505,492</u>	<u>15,396,065</u>
Net Assets, End of Year	<u>\$ 13,640,695</u>	<u>\$ 2,447,527</u>	<u>\$ 6,683</u>	<u>\$ 16,094,905</u>	<u>\$ 16,505,492</u>

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2007

(With comparative totals for the year ended December 31, 2006)

	2007			2006	
	Program	Fundraising	Management and General	Total	Total
Salaries	\$ 2,322,195	\$ 250,709	\$ 409,487	\$ 2,982,391	\$ 3,325,887
Employee benefits	499,171	41,733	100,460	641,364	573,752
Professional fees	115,151	34,958	124,204	274,313	367,716
Supplies	218,524	8,982	12,377	239,883	293,109
Telephone	48,801	5,776	7,132	61,709	70,292
Postage	5,323	10,027	2,736	18,086	14,037
Occupancy	692,360	34,119	50,122	776,601	773,672
Printing and subscriptions	3,220	13,896	470	17,586	2,589
Transportation	107,170	351	12,668	120,189	120,010
Equipment rental/maintenance	19,406	3,248	4,806	27,460	21,233
Food and beverage	144,475	659	6,026	151,160	114,497
Dues and contributions	21,353	5,962	42,623	69,938	44,299
Marketing and advertising	100	6,969	-	7,069	15,403
Training	34,017	652	3,876	38,545	45,723
Miscellaneous	1,743	104	7,294	9,141	1,160
Interest	1,906	-	55,672	57,578	51,862
Total Expenses Before Depreciation and Capital Campaign	4,234,915	418,145	839,953	5,493,013	5,835,241
Capital campaign expenses	-	-	-	-	56,670
Depreciation	693,479	11,292	33,929	738,700	599,038
 Total Functional Expenses	 <u>\$ 4,928,394</u>	 <u>\$ 429,437</u>	 <u>\$ 873,882</u>	 <u>\$ 6,231,713</u>	 <u>\$ 6,490,949</u>

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

(With comparative totals for the year ended December 31, 2006)

	2007	2006
Cash Flows From Operating Activities:		
Change in net assets	\$ (410,587)	\$ 1,109,427
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	738,700	599,038
Donated stock	(465,742)	-
Realized and unrealized loss (gain) on investments	4	(132,264)
Net capital campaign activity	504,104	493,893
Interest in affiliated entity	(371,388)	(932,319)
Change in operating assets and liabilities:		
Accounts and grants receivable	231,563	(65,527)
Unconditional promises to give -operations	(166,027)	63,539
Prepaid expenses and deposits	48,428	(32,648)
Beneficiary interest in trusts	(54,072)	(141,250)
Accounts payable and accrued expenses	203,322	(6,259)
Net Cash Provided by Operating Activities	258,305	955,630
Cash Flows from Investing Activities:		
Purchase of property and equipment	(2,172,455)	(130,609)
Proceeds from sale of investments	1,458,987	827,277
Purchase of investments	(491,375)	(841,833)
Net Cash Used by Investing Activities	(1,204,843)	(145,165)
Cash Flows from Financing Activities:		
Repayment of long-term debt	(121,169)	(62,818)
Proceeds from long-term debt	93,215	300,000
Net line of credit activity	322,243	(139,243)
Net Cash Provided by Financing Activities	294,289	97,939
Net Change in Cash and Cash Equivalents	(652,249)	908,404
Cash and Cash Equivalents, Beginning of Year	1,938,724	1,030,320
Cash and Cash Equivalents, End of Year	\$ 1,286,475	\$ 1,938,724

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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 Club's donors and program participants are mainly located in the Kansas City, Missouri metropolitan area.

Advertising - The Clubs expense advertising costs as they are incurred. During 2007, \$7,069 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 in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 various operating and maintenance reserves.

Cash and Cash Equivalents – Cash consists of cash, non-interest-bearing checking accounts and short-term money market investments.

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 Club's financial statements for the year ended December 31, 2006 from which the information is derived.

Concentration of Risk – The Clubs maintain its cash balance in five financial institutions located in the greater Kansas City, Missouri area and also in two local foundations. The balances held by the financial institutions are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$100,000. At December 31, 2007, the Clubs' uninsured cash balance totaled \$998,273. The investments not insured by the FDIC are subject to market risk, including loss of principal.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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. No amounts are reflected in the financial statements for donated services. The Clubs pay for most services requiring specific expertise. A substantial number of volunteers have donated thousands of hours of their time during the years ended December 31, 2007 and 2006, which do not meet the requirements of contributions under Statement of Financial Accounting Standards No. 116, “*Accounting for Contributions Received and Contributions Made*,” 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.

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. Nonmarketable investments are recorded at cost at date of acquisition or fair value at date of donation in the case of gifts.

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.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

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 2006 financial statements have been reclassified to conform to the 2007 presentation.

Temporarily Restricted Net Assets – Temporarily restricted net assets consist of time restrictions on unconditional promises to give in the amount of \$1,457,929, other contributions restricted to the capital campaign in the amount of \$760,351 and contributions restricted to the endowment fund of \$229,247. Amounts received during the year 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.

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. Due to the low balance of future promises to give in 2007 no discount was applied.

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.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

2. UNCONDITIONAL PROMISES TO GIVE

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

	2007	2006
Unconditional promises to give:		
Operating pledges	\$ 179,053	\$ 53,025
Capital campaign pledges	175,934	665,563
Less: Unamortized discount	(601)	(43,125)
	354,386	675,463
Less: Allowance for uncollectibles	(67,000)	(20,000)
Net unconditional promise to give	\$ 287,386	\$ 655,463

Amounts due in:

Years Ending December 31,

2008	\$ 342,487
2009	12,500
Total	\$ 354,987

3. BENEFICIAL INTEREST IN TRUSTS

The Clubs have a remainder interest in a trust that is anticipated to be received in future years. The value was determined based on the Club's apportionment of the fair value of the assets that are held by the trust, given consideration of the anticipated date of receipt.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

4. INVESTMENTS

Investments at December 31, 2007 consisted of the following:

Cash and cash equivalents	\$	1,724
Exchange traded funds		709,031
Common stock		<u>15,582</u>
Total Investments	\$	<u>726,337</u>

Income from investments is summarized as follows:

Interest and dividends	\$	58,198
Net realized gains		24,771
Net unrealized gains		(24,775)
Management fees		<u>(7,386)</u>
Total Investment Income	\$	<u>50,808</u>

5. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	<u>2007</u>	<u>2006</u>
Land	\$ 793,071	\$ 793,071
Buildings and improvements	16,463,772	14,406,364
Furniture and equipment	953,077	931,244
Vehicles	<u>207,969</u>	<u>114,754</u>
	18,417,889	16,245,433
Accumulated depreciation	<u>(6,722,185)</u>	<u>(5,983,484)</u>
Total Property and Equipment	<u>\$ 11,695,704</u>	<u>\$ 10,261,949</u>

The aggregate depreciation expense charged to operations for the years ended December 31, 2007 and 2006 were \$738,700 and \$599,038, respectively.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

6. LONG-TERM DEBT

Note bearing interest at 6.97%, payable in monthly installments of \$8,333 including interest. Final payment due September, 2011. The note is collateralized by real property.	\$ 375,000
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 real property.	40,734
Note bearing interest at 1.9%, payable in monthly installments of \$706 including interest. Final payment is due January, 2013. The note is collateralized by the vehicle financed by this note.	47,965
Note bearing interest at 6.75%, interest and principal payments of \$980 due through November 2009 at which time any interest and remaining principal payments become due. The note is collateralized by real property.	21,026
Current portion of long-term debt	<u>(126,425)</u>
Total Long-term Debt	<u>\$ 358,300</u>

Maturities on long-term debt are as follows:

Years Ending December 31

2008	\$ 126,425
2009	126,892
2010	117,348
2011	93,204
2012	12,471
2013	<u>8,385</u>
Total	<u>\$ 484,725</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

7. LINE OF CREDIT

Bank line of credit that is maxed out bearing interest at ½% over the bank’s prime rate which was 7.175% at December 31, 2007. The loan is unsecured. The line of credit is due in September 2008.

\$ 483,000

The Clubs also have a \$1,000,000 line of credit which had not been used at December 31, 2007. The Clubs plan to use this line of credit for construction purposes.

8. 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:

<u>Year Ending December 31,</u>	<u>Equipment</u>	<u>Office</u>	<u>Total</u>
2008	\$ 10,846	\$ 115,788	\$ 126,634
2009	10,846	115,788	126,634
2010	10,606	-	10,606
2011	<u>8,186</u>	<u>-</u>	<u>8,186</u>
Totals	<u>\$ 40,484</u>	<u>\$ 231,576</u>	<u>\$ 272,060</u>

The office space lease ends in December 2009. Total rental expense under operating leases with terms in excess of one month amounted to \$193,041 and \$179,654 for the years ended December 31, 2007 and 2006, respectively.

9. 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. Pension expense under the plan was \$122,854 and \$111,362 for the years ended December 31, 2007 and 2006, respectively.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

10. 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 RBI baseball complexes.

11. CASH FLOW DISCLOSURES

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

The following is a summary of supplemental cash flow information:

	<u>2007</u>	<u>2006</u>
Cash paid for interest	<u>\$ 57,578</u>	<u>\$ 51,862</u>