



BOYS & GIRLS CLUBS
OF GREATER KANSAS CITY

FINANCIAL STATEMENTS

Year Ended December 31, 2011
with
Report of Independent Auditors

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

FINANCIAL STATEMENTS

December 31, 2011

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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 consolidated statement of financial position of **Boys and Girls Clubs of Greater Kansas City** as of December 31, 2011, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Clubs' 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 Clubs' 2010 financial statements and, in our report dated September 6, 2011, 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 **Boys and Girls Clubs of Greater Kansas City** as of December 31, 2011, 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.

September 4, 2012

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2011

(With comparative totals as of December 31, 2010)

ASSETS

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and cash equivalents:		
Operating	\$ 503,580	\$ 568,504
Designated cash	251,116	253,659
Total Cash and Cash Equivalents	<u>754,696</u>	<u>822,163</u>
Investments	731,193	716,150
Grants and accounts receivable	345,767	353,988
Note receivable - KCMO Investment Fund	3,726,000	3,726,000
Unconditional promises to give, current portion		
less allowance for uncollectibles	33,050	199,771
Prepaid expenses and deposits	<u>40,849</u>	<u>48,830</u>
 Total Current Assets	 5,631,555	 5,866,902
Cash Restricted for Capital Improvements	483,331	373,410
Long-term Unconditional Promises to Give,		
less current portion above	27,500	50,375
Interest in Affiliated Entity	2,657,444	2,700,723
Property and Equipment, at cost,		
less accumulated depreciation	<u>12,059,755</u>	<u>12,762,280</u>
 Total Assets	 <u>\$ 20,859,585</u>	 <u>\$ 21,753,690</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 264,237	\$ 318,525
Deposits	159,239	85,537
Lines of credit	-	400,000
Current portion of long-term debt	<u>18,400</u>	<u>22,282</u>
 Total Current Liabilities	 441,876	 826,344
Long-Term Debt - New Markets	3,726,000	3,726,000
Long-Term Debt - other, less current portion above	<u>1,231,158</u>	<u>1,204,899</u>
 Total Long-Term Liabilities	 <u>4,957,158</u>	 <u>4,930,899</u>
 Total Liabilities	 <u>5,399,034</u>	 <u>5,757,243</u>
Net Assets:		
Unrestricted:		
Undesignated	14,005,809	13,816,267
Board designated	426,790	454,092
Total Unrestricted Net Assets	<u>14,432,599</u>	<u>14,270,359</u>
Temporarily restricted	1,021,269	1,719,405
Permanently restricted	<u>6,683</u>	<u>6,683</u>
 Total Net Assets	 <u>15,460,551</u>	 <u>15,996,447</u>
 Total Liabilities and Net Assets	 <u>\$ 20,859,585</u>	 <u>\$ 21,753,690</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, 2011

(With comparative totals for the year ended December 31, 2010)

	2011			Totals	2010 Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Grants and Contributions	\$ 3,774,875	\$ 460,686	\$ -	\$ 4,235,561	\$ 4,748,895
Other Support and Revenue:					
Special events:					
Special event income	931,119	-	-	931,119	766,045
Special event expenses	(309,143)	-	-	(309,143)	(331,141)
Net special event income	621,976	-	-	621,976	434,904
Membership dues and program service fees	78,650	-	-	78,650	144,424
Rental income	145,157	-	-	145,157	154,368
Investment return	(12,487)	16,570	-	4,083	79,027
Equity in earnings of affiliated entity	(43,279)	-	-	(43,279)	(172,187)
Other income	935,134	-	-	935,134	889,258
Net assets released from restrictions	1,175,392	(1,175,392)	-	-	-
Total Other Support and Revenue	2,900,543	(1,158,822)	-	1,741,721	1,529,794
Total Support and Revenue	6,675,418	(698,136)	-	5,977,282	6,278,689
Expenses:					
Program services	5,170,913	-	-	5,170,913	4,907,932
Supporting services:					
Fundraising	470,971	-	-	470,971	487,777
Management and general	871,294	-	-	871,294	1,138,437
Total Supporting Services	1,342,265	-	-	1,342,265	1,626,214
Total Expenses	6,513,178	-	-	6,513,178	6,534,146
Change in Net Assets	162,240	(698,136)	-	(535,896)	(255,457)
Net Assets, Beginning of Year	14,270,359	1,719,405	6,683	15,996,447	16,251,904
Net Assets, End of Year	<u>\$ 14,432,599</u>	<u>\$ 1,021,269</u>	<u>\$ 6,683</u>	<u>\$ 15,460,551</u>	<u>\$ 15,996,447</u>

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011

(With comparative totals for the year ended December 31, 2010)

	2011			Total	2010
	Program	Fundraising	Management and General		
Salaries	\$ 2,231,466	\$ 262,254	\$ 405,237	\$ 2,898,957	\$ 2,725,334
Employee benefits	354,495	57,567	101,045	513,107	526,301
Professional fees	112,735	38,601	101,179	252,515	559,258
Supplies	144,987	8,432	12,391	165,810	165,782
Telephone	54,246	8,028	8,726	71,000	53,966
Postage	2,613	3,265	1,568	7,446	6,543
Occupancy	748,881	36,463	32,903	818,247	774,771
Printing and subscriptions	683	6,400	-	7,083	7,747
Transportation	76,384	2,036	5,493	83,913	90,517
Equipment rental/maintenance	21,409	2,534	3,761	27,704	28,418
Food and beverage	168,667	1,896	9,862	180,425	150,637
Dues and contributions	407,294	729	26,756	434,779	444,836
Bank fees	-	-	87,184	87,184	26,722
Marketing and advertising	70,280	3,635	-	73,915	75,347
Training	21,162	6,699	13,763	41,624	27,945
Miscellaneous	8,392	-	5,660	14,052	2,147
Interest	1,289	-	23,334	24,623	34,481
Total Expenses Before Depreciation and Capital Campaign	4,424,983	438,539	838,862	5,702,384	5,700,752
Capital campaign expenses	-	-	-	-	22,379
Depreciation	745,930	32,432	32,432	810,794	811,015
 Total Functional Expenses	 \$ 5,170,913	 \$ 470,971	 \$ 871,294	 \$ 6,513,178	 \$ 6,534,146

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

(With comparative totals for the year ended December 31, 2010)

	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	\$ (535,896)	\$ (255,457)
Adjustments to reconcile change in net assets to net cash flows provided (used) by operating activities:		
Depreciation	810,794	811,015
Contributions restricted for capital improvements	(460,686)	(904,682)
Donated vehicle	(10,825)	-
Donated stock	(43,745)	(13,588)
Loss on disposal of property	9,593	-
Realized and unrealized loss (gain) on investments	13,208	(49,400)
Net capital campaign activity	189,596	301,913
Interest in affiliated entity	43,279	(230,388)
Change in operating assets and liabilities:		
Accounts and grants receivable	8,221	(3,926,955)
Prepaid expenses and deposits	7,981	51,475
Accounts payable, accrued expenses and deposits	19,414	(679,158)
Net Cash Provided (Used) by Operating Activities	50,934	(4,895,225)
Cash Flows from Investing Activities:		
Change in assets for acquisition of Wagner	(109,921)	1,981,256
Purchase of property and equipment	(44,737)	(2,084,078)
Proceeds from sale of investments	417,353	645,447
Purchase of investments	(401,858)	(537,322)
Net Cash (Used) Provided by Investing Activities	(139,163)	5,303
Cash Flows from Financing Activities:		
Contributions restricted for capital improvements	460,686	904,682
Repayment of long-term debt	(39,924)	(20,356)
Proceeds from long-term debt	-	4,567,990
Net line of credit activity	(400,000)	(161,315)
Net Cash Provided by Financing Activities	20,762	5,291,001
Net Change in Cash and Cash Equivalents	(67,467)	401,079
Cash and Cash Equivalents, Beginning of Year	822,163	421,084
Cash and Cash Equivalents, End of Year	\$ 754,696	\$ 822,163

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS December 31, 2011

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.

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 2011, \$73,915 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 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 membership and college scholarships for kids.

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 Club's financial statements for the year ended December 31, 2010 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 and also in two local foundations. These balances are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$250,000 at December 31, 2011, 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, 2011, the Clubs had \$240,418 in cash balances which were uninsured.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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, \$70,280 of advertising, \$41,236 of equipment and supplies, two vehicles valued at \$10,825 and miscellaneous tickets to local events valued at \$30,306 were donated. Three stock donations were received during the year with fair market values at the date of the gifts totaling \$43,745. In addition, a substantial number of volunteers have donated thousands of hours of their time during the years ended December 31, 2011 and 2010, 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.

Fair Value of Financial Instruments – The carrying amount of cash and cash equivalents approximates its fair value. The fair value of the Clubs' investments is presented in Notes 2 and 3 and is based on the inputs described there. The carrying value of grants, accounts and discounted pledges receivable, accounts payable, accrued expenses approximate fair value due to the short-term nature of these instruments. The estimated fair value of notes payable is shown in Note 9.

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 provisions of the Financial Accounting Standards Board's *Accounting for Uncertain Income Tax Positions* FASB ASC 740-10 as it might apply to the Club's financial transactions. The Club's policy is to record a liability for any tax position that is beneficial to the Club, 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, 2011 and, accordingly, no liability has been accrued. However, tax years through December 31, 2011 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. Nonmarketable investments are recorded at cost at date of acquisition or fair value at date of donation in the case of gifts.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

Subsequent Events - Management has evaluated events and transactions that have occurred since December 31, 2011 and reflected their effects, if any, in these financial statements through September 4, 2012, the date the financial statements were available to be issued.

Temporarily Restricted Net Assets – Temporarily restricted net assets consist of time restrictions on unconditional promises to give in the amount of \$226,272, other contributions restricted to the capital campaign in the amount of \$734,447 and contributions restricted to the endowment fund of \$60,550. 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, 2011

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 unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions 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 Clubs have adopted the provisions of FASB ASC 820-10, for financial and non-financial assets and liabilities measured at fair value on a recurring basis. In addition FASB ASC 820-10 applies to non-financial assets and liabilities measured initially at fair value such as in a business combination, non-financial assets recorded at fair value at the time of donation, and long-lived assets measured at fair value for impairment assessment. In addition, the Clubs have implemented the amendments to FASB ASC 820-10 required by FASB ASU 2010-06.

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:

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

- 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.

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

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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>-</u>	<u>19,762</u>
Total Assets, recurring basis	<u>\$ 731,193</u>	<u>\$ 681,986</u>	<u>\$ -</u>	<u>\$ 49,207</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

Fair values for investments are determined by reference to quoted market prices, relevant information generated by market transactions. Fair value of assets measured on a recurring basis at December 31, 2010 is as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Cash and cash equivalents	\$ 4,612	\$ 4,529	-	\$ 83
Equities:				
Domestic	356,061	323,718	-	32,343
International	167,299	167,299	-	-
Fixed Income:				
Domestic	188,178	168,249	-	19,929
Total Assets, recurring basis	\$ 716,150	\$ 663,795	-	\$ 52,355

The 2010 Level 2 assets have been reclassified to level 1 since it was determined there are quoted market prices in active markets for those assets.

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

January 1, 2010	\$ 49,349
Total gains or losses (realized/unrealized)	4,866
Grants approved	(2,548)
Net investment income/fees	688
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

The amount of total gains or losses for the year ended December 31, 2011 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date were not readily available and considered by management to be immaterial.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

Gains and losses (realized and unrealized) for 2011 included in unrestricted net assets for the year are reported in investment return as \$(1,451).

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:

	<u>2011</u>	<u>2010</u>
Exchange traded funds	\$ 494,313	\$ 491,017
Cash and cash equivalents	12,685	4,613
Fixed income securities	194,832	188,177
Common stock	<u>29,363</u>	<u>32,343</u>
Total Investments	<u>\$ 731,193</u>	<u>\$ 716,150</u>

Return from investments is summarized as follows:

Interest and dividends	\$ 19,927	\$ 34,191
Net realized gains	20,539	7,849
Net unrealized (losses) gains	(33,747)	41,551
Management fees	<u>(2,636)</u>	<u>(4,564)</u>
Total Investment Return	<u>\$ 4,083</u>	<u>\$ 79,027</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

4. UNCONDITIONAL PROMISES TO GIVE

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

	2011	2010
Unconditional promises to give:		
Capital campaign pledges	\$ 60,550	\$ 271,771
Less: Unamortized discount	-	(1,625)
	60,550	270,146
Less: Allowance for uncollectibles	-	(20,000)
Net unconditional promise to give	\$ 60,550	\$ 250,146

Amounts due in:

Years Ending December 31,

2012	\$ 33,050
2013	22,500
2014	5,000
Total	\$ 60,550

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, 2011 consisting of matching grants were \$850,000.

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. During the year the Clubs contributed \$126,320 to HCC for use in payment of notes payable. 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, 2011

7. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	2011	2010
Buildings and improvements	\$ 19,367,086	\$ 19,350,528
Furniture and equipment	1,157,074	1,141,598
Vehicles	162,457	156,440
	21,479,687	21,441,637
Accumulated depreciation	(9,426,932)	(8,679,357)
	12,052,755	12,762,280
Land	793,070	793,071
Construction in progress	7,000	-
Total Property and Equipment	\$ 12,059,755	\$ 12,762,280

The aggregate depreciation expense charged to operations for the years ended December 31, 2011 and 2010 were \$810,794 and \$811,015, 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, 2011 was 3.25%. The line of credit was renewed in April, 2012 for one year. The loan is secured by the endowment assets.

	\$ -	\$ 400,000
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BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

9. LONG-TERM DEBT

	2011	2010
Note bearing interest at 1.39%, payable in quarterly installments of \$12,914, interest only. The loan matures on February 19, 2045. The loan is collateralized by property owned by the Clubs (*Leslie property, East 43 rd property and Elmwood property)	\$ 3,726,000	\$ 3,726,000
Note bearing interest at 1.39%, payable in quarterly installments of \$4,069, interest only. The loan matures on February 19, 2045. The loan is collateralized by property owned by the Clubs*.	1,174,000	1,174,000
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 the vehicle financed by this note.	4,367	14,482
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.	36,257	24,684
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.	9,934	14,015
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.	25,000	-
	4,975,558	4,953,181
Current portion of long-term debt	(18,400)	(22,282)
Total Long-term Debt	\$ 4,957,158	\$ 4,930,899

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

9. LONG-TERM DEBT (continued)

Maturities on long-term debt are as follows:

<u>Years Ending December 31</u>	
2012	\$ 18,400
2013	15,080
2014	12,244
2015	11,598
2016 and after	<u>4,918,236</u>
Total	<u>\$ 4,975,558</u>

The fair value of long-term debt approximates carrying value based on other available instruments with similar terms.

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, 2011

10. ENDOWMENTS (continued)

As of December 31, 2011, the Board of Directors had designated \$426,790 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 \$226,273 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, 2011 were as follows:

	<u>Board- Designated</u>	<u>Donor- Restricted</u>
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	<u>(24,436)</u>	<u>(11,389)</u>
Net assets, end of year	<u>\$ 426,790</u>	<u>\$ 226,273</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

10. ENDOWMENTS (continued)

Composition of and changes in endowment net assets for the year ended December 31, 2010 were as follows:

	<u>Board- Designated</u>	<u>Donor- Restricted</u>
Net assets, beginning of year	\$ 423,034	\$ 194,391
Investment income	29,333	14,537
Unrealized net appreciation	25,836	11,608
Fees and disbursement amounts appropriated for expenditure	<u>(24,111)</u>	<u>(10,833)</u>
Net assets, end of year	<u>\$ 454,092</u>	<u>\$ 209,703</u>

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:

<u>Year Ending December 31,</u>	<u>Equipment</u>	<u>Office</u>	<u>Total</u>
2012	\$ 22,442	\$ 106,188	\$ 128,630
2013	18,456	106,188	124,644
2014	<u>18,456</u>	<u>106,188</u>	<u>124,644</u>
Totals	<u>\$ 59,354</u>	<u>\$ 318,564</u>	<u>\$ 377,918</u>

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 \$154,228 and \$131,162 for the years ended December 31, 2011 and 2010, 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 2011. The 401K match was \$42,834 and \$51,696 for the years ending December 31, 2011 and 2010, respectively.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

13. 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 non-cash investing and financing activities:

	<u>2011</u>	<u>2010</u>
Cash paid for interest	<u>\$ 24,623</u>	<u>\$ 34,481</u>
Property and equipment using debt	<u>\$ 62,300</u>	<u>\$ 332,010</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 principal and interest payments of \$36,092 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 principal and interest payments of \$11,371 with a maturity date of February 19, 2045. No prepayment is allowed during the first seven years.

In addition, the Organization 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 Organization 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.

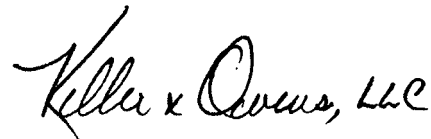
At the end of the seven-year term, a put/call agreement may be exercised whereby U.S. Bancorp Community Development Corporation's interest is sold to the Organization.

SUPPLEMENTAL INFORMATION

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION

Board of Directors
Boys and Girls Clubs of Greater Kansas City

We have audited the financial statements of **Boys and Girls Clubs of Greater Kansas City** as of and for the year ended December 31, 2011, and our report thereon dated September 4, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. We have previously issued our opinion dated September 6, 2011 on the 2010 financial statements and supplemental information. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenses on pages 21 - 23 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Keller & Owens, LLC". The signature is written in a cursive, flowing style.

September 4, 2012

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2011

(With comparative totals as of December 31, 2010)

	<u>ASSETS</u>				
	2011				
	<u>Boys & Girls Clubs of Greater Kansas City</u>	<u>Boys & Girls Clubs New Markets Inc.</u>	<u>Eliminations</u>	<u>Total</u>	<u>2010</u>
Current Assets:					
Cash and cash equivalents:					
Operating	\$ 482,671	\$ 20,909	\$ -	\$ 503,580	\$ 568,504
Designated cash	251,116	-	-	251,116	253,659
Total Cash and Cash Equivalents	<u>733,787</u>	<u>20,909</u>	<u>-</u>	<u>754,696</u>	<u>822,163</u>
Investments	731,193	-	-	731,193	716,150
Grants and accounts receivable	345,767	-	-	345,767	353,988
Note receivable - KCMO Investment Fund	3,726,000	-	-	3,726,000	3,726,000
Unconditional promises to give, current portion					
less allowance for uncollectibles	33,050	-	-	33,050	199,771
Prepaid expenses and deposits	<u>40,849</u>	<u>-</u>	<u>-</u>	<u>40,849</u>	<u>48,830</u>
Total Current Assets	5,610,646	20,909	-	5,631,555	5,866,902
Cash Restricted for Capital Improvements	483,331	-	-	483,331	373,410
Long-term Unconditional Promises to Give,					
less current portion above	27,500	-	-	27,500	50,375
Beneficiary Interest in Trusts					
Interest in Affiliated Entity	2,657,444	-	-	2,657,444	2,700,723
Property and Equipment, at cost,					
less accumulated depreciation	<u>2,522,735</u>	<u>9,537,020</u>	<u>-</u>	<u>12,059,755</u>	<u>12,762,280</u>
Total Assets	<u>\$ 11,301,656</u>	<u>\$ 9,557,929</u>	<u>\$ -</u>	<u>\$ 20,859,585</u>	<u>\$ 21,753,690</u>
	<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:					
Accounts payable and accrued expenses	\$ 264,237	\$ -	\$ -	\$ 264,237	\$ 318,525
Deposits	159,239	-	-	159,239	85,537
Lines of credit	-	-	-	-	400,000
Current portion of long-term debt	<u>18,400</u>	<u>-</u>	<u>-</u>	<u>18,400</u>	<u>22,282</u>
Total Current Liabilities	441,876	-	-	441,876	826,344
Long-Term Debt - New Markets	-	3,726,000	-	3,726,000	3,726,000
Long-Term Debt - other, less current portion above	<u>57,158</u>	<u>1,174,000</u>	<u>-</u>	<u>1,231,158</u>	<u>1,204,899</u>
Total Long-Term Liabilities	57,158	4,900,000	-	4,957,158	4,930,899
Total Liabilities	<u>499,034</u>	<u>4,900,000</u>	<u>-</u>	<u>5,399,034</u>	<u>5,757,243</u>
Net Assets:					
Unrestricted:					
Undesignated	9,347,880	4,657,929	-	14,005,809	13,816,267
Board designated	<u>426,790</u>	<u>-</u>	<u>-</u>	<u>426,790</u>	<u>454,092</u>
Total Unrestricted Net Assets	9,774,670	4,657,929	-	14,432,599	14,270,359
Temporarily restricted	1,021,269	-	-	1,021,269	1,719,405
Permanently restricted	<u>6,683</u>	<u>-</u>	<u>-</u>	<u>6,683</u>	<u>6,683</u>
Total Net Assets	<u>10,802,622</u>	<u>4,657,929</u>	<u>-</u>	<u>15,460,551</u>	<u>15,996,447</u>
Total Liabilities and Net Assets	<u>\$ 11,301,656</u>	<u>\$ 9,557,929</u>	<u>\$ -</u>	<u>\$ 20,859,585</u>	<u>\$ 21,753,690</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS Year Ended December 31, 2011

(With comparative totals for the year ended December 31, 2010)

	2011					2010
	Boys & Girls Clubs of Greater Kansas City	Boys & Girls Clubs New Markets, Inc.	Eliminations	Totals		
Grants and Contributions	\$ 4,235,561	\$ 82,326	\$ (82,326)	\$ 4,235,561	\$ 4,748,895	
Other Support and Revenue:						
Special events:						
Special event income	931,119	-	-	931,119	766,045	
Special event expenses	<u>(309,143)</u>	<u>-</u>	<u>-</u>	<u>(309,143)</u>	<u>(331,141)</u>	
Net special event income	621,976	-	-	621,976	434,904	
Membership dues and program service fees	78,650	-	-	78,650	144,424	
Rental income	145,157	-	-	145,157	154,368	
Investment return	4,025	58	-	4,083	79,027	
Equity in earnings of affiliated entity	(43,279)	-	-	(43,279)	(172,187)	
Other income	<u>935,134</u>	<u>-</u>	<u>-</u>	<u>935,134</u>	<u>889,258</u>	
Total Other Support and Revenue	<u>1,741,663</u>	<u>58</u>	<u>-</u>	<u>1,741,721</u>	<u>1,529,794</u>	
 Total Support and Revenue	 5,977,224	 82,384	 (82,326)	 5,977,282	 6,278,689	
Expenses:						
Program services	4,818,314	434,925	(82,326)	5,170,913	4,907,932	
Supporting services:						
Fundraising	450,838	20,133	-	470,971	487,777	
Management and general	<u>797,803</u>	<u>73,491</u>	<u>-</u>	<u>871,294</u>	<u>1,138,437</u>	
Total Supporting Services	<u>1,248,641</u>	<u>93,624</u>	<u>-</u>	<u>1,342,265</u>	<u>1,626,214</u>	
 Total Expenses	 <u>6,066,955</u>	 <u>528,549</u>	 (82,326)	 <u>6,513,178</u>	 <u>6,534,146</u>	
Change in Net Assets	(89,731)	(446,165)	-	(535,896)	(255,457)	
Net Assets, Beginning of Year	<u>10,892,353</u>	<u>5,104,094</u>	<u>-</u>	<u>15,996,447</u>	<u>16,251,904</u>	
Net Assets, End of Year	<u>\$ 10,802,622</u>	<u>\$ 4,657,929</u>	<u>\$ -</u>	<u>\$ 15,460,551</u>	<u>\$ 15,996,447</u>	

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2011

(With comparative totals for the year ended December 31, 2010)

	2011				2010
	Boys & Girls Clubs of Greater Kansas City	Boys & Girls Clubs New Markets Inc.	Eliminations	Total	
Cash Flows From Operating Activities:					
Change in net assets	\$ (89,731)	\$ (446,165)	\$ -	\$ (535,896)	\$ (255,457)
Adjustments to reconcile change in net assets to net cash flows provided (used) by operating activities:					
Depreciation	342,634	468,160	-	810,794	811,015
Contributions restricted for capital improvements	(460,686)	-	-	(460,686)	(904,682)
Loss on disposal of property	9,593	-	-	9,593	-
Donated vehicle	(10,825)	-	-	(10,825)	-
Donated stock	(43,745)	-	-	(43,745)	(13,588)
Realized and unrealized gain on investments	13,208	-	-	13,208	(49,400)
Net capital campaign activity	189,596	-	-	189,596	301,913
Interest in affiliated entity	43,279	-	-	43,279	(230,388)
Change in operating assets and liabilities:					
Accounts and grants receivable	8,221	-	-	8,221	(3,926,955)
Prepaid expenses and deposits	7,981	-	-	7,981	51,475
Accounts payable, accrued expenses and deposits	19,414	-	-	19,414	(679,158)
Net Cash Provided (Used) by Operating Activities	<u>28,939</u>	<u>21,995</u>	<u>-</u>	<u>50,934</u>	<u>(4,895,225)</u>
Cash Flows from Investing Activities:					
Change in assets for acquisition of Wagner	(53,596)	(56,325)	-	(109,921)	1,981,256
Purchase of property and equipment	(44,737)	-	-	(44,737)	(2,084,078)
Proceeds from sale of investments	417,353	-	-	417,353	645,447
Purchase of investments	(401,858)	-	-	(401,858)	(537,322)
Net Cash (Used) Provided by Investing Activities	<u>(82,838)</u>	<u>(56,325)</u>	<u>-</u>	<u>(139,163)</u>	<u>5,303</u>
Cash Flows from Financing Activities:					
Contributions restricted for capital improvements	460,686	-	-	460,686	904,682
Repayment of long-term debt	(39,924)	-	-	(39,924)	(20,356)
Proceeds from long-term debt	-	-	-	-	4,567,990
Net line of credit activity	(400,000)	-	-	(400,000)	(161,315)
Net Cash Provided by Financing Activities	<u>20,762</u>	<u>-</u>	<u>-</u>	<u>20,762</u>	<u>5,291,001</u>
Net Change in Cash and Cash Equivalents	<u>(33,137)</u>	<u>(34,330)</u>	<u>-</u>	<u>(67,467)</u>	<u>401,079</u>
Cash and Cash Equivalents, Beginning of Year	<u>766,924</u>	<u>55,239</u>	<u>-</u>	<u>822,163</u>	<u>421,084</u>
Cash and Cash Equivalents, End of Year	<u>\$ 733,787</u>	<u>\$ 20,909</u>	<u>\$ -</u>	<u>\$ 754,696</u>	<u>\$ 822,163</u>