

HEADQUARTERS, INC.
LAWRENCE, KS

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
OCTOBER 31, 2010

AND

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Long CPA, PA
A Professional Association
Certified Public Accountants

HEADQUARTERS, INC.
LAWRENCE, KANSAS

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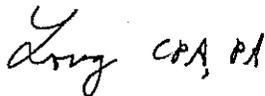
Board of Directors
Headquarters, Inc.
Lawrence, Kansas 66044

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying statement of financial position of Headquarters, Inc. (a nonprofit organization), as of October 31, 2010, and the related statements of activities, functional expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 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 accompanying statements referred to in the first paragraph present fairly, in all material respects, the financial position of Headquarters, Inc., as of October 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Long CPA, P.A.
A Professional Association
Certified Public Accountant

April 15, 2011

HEADQUARTERS, INC.
Lawrence, Kansas

STATEMENT OF FINANCIAL POSITION
As of October 31, 2010

Assets		
Current assets		
Cash (Note 3)	\$ 84,282	
Promises to give, unrestricted (Note 1)	<u>69,121</u>	
Total current assets		\$ 153,403
Fixed assets		
Property and equipment (Note 2)	39,169	
Accumulated depreciation (Note 1)	<u>(34,418)</u>	
		4,751
Other assets		
Security deposit (Note 5)	<u>1,235</u>	
		<u>1,235</u>
Total assets		<u><u>\$ 159,389</u></u>
Liabilities and Net Assets		
Current Liabilities		
Total current liabilities		\$ -
Net Assets		
Unrestricted		<u>159,389</u>
Total liabilities and net assets		<u><u>\$ 159,389</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

HEADQUARTERS, INC.

Lawrence, Kansas

STATEMENT OF ACTIVITIES
For the year ended October 31, 2010

Unrestricted

Support

United Way of Douglas County	\$	69,121	
Donations		10,391	
Alcohol Tax		33,750	
Membership		33,481	
Other special projects		3,864	
University of Kansas Student Senate		36,200	
LS Refresher		6,770	
Fundraising income		5,309	
Miscellaneous grants		5,565	
Business/Organization Partnership		6,025	
Volunteer services (Other)		-	
		<hr/>	\$ 210,476

Revenue

Miscellaneous sales		95	
Interest income		976	
		<hr/>	<hr/> 1,071
			<hr/> 211,547

Expenses

Program services		200,856	
Support services			
Management and general		18,282	
Fundraising		4,995	
		<hr/>	<hr/> 224,133

Increase in Net Assets

\$ (12,586)

The accompanying notes to financial statements
are an integral part of this statement.

HEADQUARTERS, INC.

Lawrence, Kansas

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended October 31, 2010

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 140,765	\$ 5,990	\$ 2,995	\$ 149,750
Payroll taxes	11,287	480	240	12,007
Health benefits	6,768	288	144	7,200
Insurance: liability		2,522		2,522
Professional services		5,110		5,110
Continuing education		733		733
Supplies: household	163			163
Supplies: office	847		1,616	2,463
IRA Match	3,426			3,426
Postage	1,238			1,238
Utilities	3,445			3,445
Telephone	3,531			3,531
Small equipment	1,528			1,528
Rent	14,347			14,347
Printing and copying	2,579			2,579
Dues		370		370
Volunteer recognition		2,052		2,052
Advertisement	8,222			8,222
Bank charges		133		133
Mileage		604		604
Depreciation	2,143			2,143
LS Refresher	122			122
Survivor scholarship	445			445
	<u>\$ 200,856</u>	<u>\$ 18,282</u>	<u>\$ 4,995</u>	<u>\$ 224,133</u>

The accompanying notes to financial statements
are an integral part of this statement

HEADQUARTERS, INC.

Lawrence, Kansas

STATEMENT OF CHANGES IN NET ASSETS

For the year ended October 31, 2010

Unrestricted net assets, beginning of year	\$ 171,975
Increase (decrease) in net assets	<u>(12,586)</u>
Unrestricted net assets, end of year	<u>\$ 159,389</u>

The accompanying notes to financial statements
are an integral part of this statement

HEADQUARTERS, INC.
Lawrence, Kansas

STATEMENT OF CASH FLOWS
For the year ended October 31, 2010

	<u>Unrestricted</u>
Cash Flows From Operating Activities	
Increase (decrease) in net assets	\$ (12,586)
Adjustments to reconcile change in net assets to net cash flows	
Depreciation	2,143
(Increase) decrease in operating assets	
Prepaid rent	(88)
Unconditional promises to give	-
	<hr/>
Net Cash Provided (Used) by Operating Activities	<u>(10,531)</u>
Net Cash Flows From Investing Activities	
Purchase of property and equipment	-
	<hr/>
Net Cash Provided (Used) by Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash	(10,531)
Total Cash and Cash Equivalents as of Beginning of Year	<u>94,813</u>
Total Cash and Cash Equivalents as of End of Year	<u>\$ 84,282</u>
 <u>Supplemental Information</u>	
Interest paid	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of this statement

HEADQUARTERS, INC.

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Headquarters, Inc. provides short term counseling, information and referral to community resources for shelter, employment, legal aid, medical aid and other counseling and supportive services. The Organization is supported primarily through donor contributions, grants, the United Way, and the KU Student Senate. Approximately 50% of the Organization's cash support for the year ended October 31, 2010 came from allocations from the United Way and the KU Student Senate.

These financial statements are prepared on the accrual basis. That is revenues are recorded when earned and expenses are recorded when incurred.

Unconditional Promises To Give

Contributions are recognized when the donor makes a promise to give to Headquarters, Inc. that is, in substance, unconditional. Contributions that are restricted by donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on that nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All promises to give are valued at fair market value. All promises to give are deemed collectable. The United Way funding allocation for the subsequent year is considered an unconditional promise to give.

Less than one year	<u>\$ 69,121</u>
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Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

HEADQUARTERS, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Property and Depreciation

Property and equipment are recorded at cost. Depreciation is provided using the straight line method over the estimated useful life of the respective assets. Depreciation recorded for the year ended October 31, 2010 was \$ 2,143.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Income Tax Status

Headquarters, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Headquarters, Inc. has also been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended October 31, 2010.

NOTE 2 – Property and Equipment

Property and equipment are summarized by major classifications at October 31, 2010 as follows:

Furniture and equipment	\$ 31,715
Leasehold improvements	<u>7,454</u>
	<u>\$ 39,169</u>

NOTE 3 – Cash and Credit Risk

Cash includes demand deposits and funds invested at market rates in interest bearing accounts. The Organization had \$ 92,147 in time accounts. The Federal Deposit Insurance Corporation insures demand and time accounts up to \$ 250,000 per bank per account type. The Organization’s time accounts were fully insured as of October 31, 2010.

HEADQUARTERS, INC.

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Donated Services

The Organization relies upon local volunteers to achieve its objective of serving the counseling needs of Douglas County, Kansas. Headquarters, Inc. has calculated the amount of donated services based upon the average social worker wages from the U.S. Bureau of Statistics multiplied by the number of hours contributed. This amounted to \$ 171,688 for the 2010 fiscal year.

NOTE 5 – Operating Lease

The Organization has entered into a 3 year non-cancelable lease agreement for office space beginning August 1, 2008, and ending on July 31, 2011. The agreement required a returnable security deposit of \$1,235. Monthly rental payments are \$1,176.

Minimum future rental payments under the non-cancelable operating lease are:

<u>Fiscal year</u>	<u>Amount</u>
2010	<u>\$ 14,347</u>
Total minimum future rental payments	<u><u>\$ 14,347</u></u>

Rent expense for the year ended October 31, 2010 totaled \$ 14,347.

NOTE 6 – Compensated Absences

The Organization provides for vacation, holiday and sick leave absences of employees during the year. No provision for compensated absences has been made in these statements due to the immateriality of the amount.

NOTE 7 – Defined Contribution Plan

The Organization implemented a defined contribution plan during the current year. The plan is a Simple IRA plan where the organization matches up to 3% of wages contributed by the employee. The expense to the organization in the current year is \$ 3,426.

HEADQUARTERS, INC.

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Concentration of Credit Risk

The organization receives a majority of funding from two sources. If those sources adjusted their support of Headquarters, Inc., the operating character of the project could be altered significantly.

The Organization maintains all its deposits in local Lawrence, Kansas banks. This presents a concentration of credit risk for deposits.

NOTE 9 – Risk Management

The Organization is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10 – Subsequent Events

Subsequent events for management's review have been evaluated through April 15, 2011. The date in the prior sentence is the date the financial statements were available to be issued.