

**BOYS AND GIRLS CLUB OF LAWRENCE
LAWRENCE, KANSAS**

FINANCIAL STATEMENTS
For the year ended December 31, 2011

And

INDEPENDENT AUDITORS' REPORT



A Professional Association • Certified Public Accountant



July 18, 2012

To the board of directors
Boys and Girls Club of Lawrence

We have audited the financial statements of Boys and Girls Club of Lawrence, for the year ended December 31, 2011, and have issued our report thereon dated July 18, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 18, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Boys and Girls Club of Lawrence, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during December 31, 2011. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the depreciation is based on estimated useful life of an asset. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts related to program fees receivable is based on the prior amounts of actual uncollected program fees. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements take as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 18, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management should review the outstanding checks on the Organization's operating checking account held at People's Bank, as several checks are more than one year old. In addition to this, we believe it is important for the Executive Director and/or Treasurer to review and initial bank reconciliations on a monthly basis.

We have enjoyed working with organization personnel on the annual audit and look forward to a continuing professional association. We would be happy to make ourselves available to organization personnel or board members if any questions arise as a result of this year's examination.

Very truly yours,

Kohart Accounting, PA

Kohart Accounting, PA
A Professional Association
Certified Public Accountant

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

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The Board of Directors
Boys and Girls Club of Lawrence
Lawrence, KS 66044

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying statement of financial position of Boys and Girls Club of Lawrence (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, 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 the 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 Club of Lawrence as of December 31, 2011, 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.

Kohart Accounting, P.A.

Kohart Accounting, PA
A Professional Association
Certified Public Accountant

July 18, 2012

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

STATEMENT OF FINANCIAL POSITION

As of December 31, 2011

Assets	
Current assets	
Cash and cash equivalents (Note 3)	\$ 1,106,316
Fees receivable, less allowance of \$77,937 (Note 4)	77,937
Accounts receivable and due from others (Note 4)	112
Total current assets	<u>1,184,365</u>
Fixed assets	
Property, plant & equipment (Note 2)	516,273
Accumulated depreciation (Note 1)	<u>(219,983)</u>
Total fixed assets	<u>296,290</u>
Other assets	
Restricted cash & cash equivalents (Note 3)	3,905
Z series shares	<u>500</u>
Total other assets	<u>4,405</u>
Total assets	<u><u>\$ 1,485,060</u></u>
Liabilities and Net Assets	
Current Liabilities	
Payroll withholdings	<u>\$ 395</u>
Total current liabilities	<u>395</u>
Net Assets	
Unrestricted	1,475,770
Temporarily restricted	4,490
Permanently restricted	<u>4,405</u>
Total net assets	<u>1,484,665</u>
Total liabilities and net assets	<u><u>\$ 1,485,060</u></u>

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

BOYS AND GIRLS CLUB OF LAWRENCE
Lawrence, Kansas

STATEMENT OF ACTIVITIES
For the year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support				
Donations	\$ 32,379	\$ -	\$ -	\$ 32,379
Fundraising	78,409	154		78,563
Grants	1,042,784			1,042,784
Program fees	761,281			761,281
United Way Assets released from restrictions	127,203	(127,203)		-
Assets released from restrictions	901	(901)		-
Total support	2,042,957	(127,950)	-	1,915,007
Revenues				
Interest income	3,109		1	3,110
Miscellaneous	4,443			4,443
Total revenues	7,552	-	1	7,553
Expenditures				
Program services	1,318,637			1,318,637
Support services				
Management and general	381,065			381,065
Fundraising	63,153			63,153
Total expenditures	1,762,855	-	-	1,762,855
Change in Net Assets - Unrestricted	287,654	(127,950)	1	159,705
Net assets, beginning of year	1,188,116	132,440	4,404	1,324,960
Net assets, end of year	\$ 1,475,770	\$ 4,490	\$ 4,405	\$ 1,484,665

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

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 858,836	\$ 234,108	\$ 44,189	\$ 1,137,133
Payroll taxes	83,909	24,238	3,732	111,879
Fringe benefits	30,832	9,045	1,232	41,109
Fundraising supplies			14,000	14,000
Insurance	38,763	12,921		51,684
Professional services		9,012		9,012
Conferences and meetings	22,126	7,375		29,501
Memberships and subscriptions		11,239		11,239
Contracted staff	86,082			86,082
Supplies and fees	121,423			121,423
Supplies: office		29,266		29,266
Utilities	6,444	2,148		8,592
Telephone	13,387	4,462		17,849
Vehicle costs	28,992	9,664		38,656
Media		10,403		10,403
Buildings and grounds		7,894		7,894
Juneteenth	901			901
Loss on asset disposal		310		310
Depreciation	26,942	8,980		35,922
Total Expenses	<u>\$ 1,318,637</u>	<u>\$ 381,065</u>	<u>\$ 63,153</u>	<u>\$ 1,762,855</u>

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

BOYS AND GIRLS CLUB OF LAWRENCE
Lawrence, Kansas

STATEMENT OF CASH FLOWS
For the year ended December 31, 2011

Cash flows from operating activities

Reconciliation of changes in net assets to net cash
provided (used) by operating activities:

Increase (decrease) in net assets \$ 159,705

Adjustments to reconcile change in net assets to net
cash provided (used) by operating activities:

Depreciation 35,922

Loss on disposal of asset 310

Changes in current assets and liabilities

(Increase) decrease in fees receivable,
grants receivable and promises to give 126,918

Increase (decrease) in payroll withholdings 395

Net cash provided (used) by operating activities 323,250

Cash flows from investing activities

Purchase of depreciable assets (56,046)

Net cash provided (used) by investing activities (56,046)

Net increase (decrease) in cash for period 267,204

Cash as of beginning of period 843,017

Cash as of end of period \$ 1,110,221

Supplemental Information

Interest paid \$ -

Income taxes paid \$ -

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

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Boys and Girls Club of Lawrence was organized in Douglas County, Kansas in 1972. The purpose of the Organization is to promote the health, social, educational, vocational, character, and leadership development of boys and girls. The Organization is primarily supported through program service fees and grant funds.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation

The Organization is 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.

Classification of Net Assets

The Organization has adopted generally accepted accounting principles as outlined in the Financial Accounting Standards Boards Accounting Standard Codification (FASB ASC) 958-205. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets – permanently restricted, temporarily restricted and unrestricted.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. 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.

BOYS AND GIRLS CLUB OF LAWRENCE
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Restricted and Unrestricted Revenue

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 restricted 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.

Statement of Functional Expenses

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, money market accounts and certificates of deposit. The Organization considers all cash to be cash equivalents.

Accounts and Grants Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is

BOYS AND GIRLS CLUB OF LAWRENCE
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

computed using primarily the straight-line method. Expenditures for routine maintenance and repairs are charged to expense as incurred.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. All promises to give are deemed collectible. As of December 31, 2011, there are no promises to give.

Income Taxes

Boys and Girls Club of Lawrence is a not-for-profit entity under Internal Revenue Code Section 501(c)(3) and therefore no provision for federal or state income tax has been made in the accompanying financial statements. Further, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code because the Organization is described in Section 509(a)(3). The Organization is not aware of any activities that would jeopardize its tax exempt status. There was no unrelated business income for the year ended December 31, 2011.

NOTE 2 – Fixed Assets

Property and equipment are summarized by major classifications at December 31, 2011, as follows:

Trasportation	\$ 65,460
Buildings	239,004
Furniture and fixtures	184,115
Improvements	12,694
Land	<u>15,000</u>
	<u>\$ 516,273</u>

Depreciation recorded for the year ended December 31, 2011 was \$35,922.

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Cash and Credit Risk

At year end, the Organization's carrying amount of deposits and cash on hand was \$1,110,221 and the bank balance was \$1,156,379.

On November 9, 2010, the FDIC issued a Final Rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The unlimited insurance coverage is available to all depositors, including consumers, businesses, and government entities. This unlimited insurance coverage is separate from, and in addition to, the insurance coverage provided to a depositor's other deposit accounts held at an FDIC-insured institution. The National Credit Union Share Insurance Fund (NCUSIF) is the federal fund created by Congress in 1970 to insure member's deposits in federally insured credit unions. On July 22, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law and included permanently establishing NCUA's standard maximum share insurance amount at \$250,000. All deposit insurance resources reflect this higher level of coverage. The deposits were under secured by \$4,345 as of December 31, 2011. The board has determined to accept the risk involved for under secured deposits.

NOTE 4 – Compensated Absences

The Organization provides for sick and vacation leave. Sick leave accrues at one full day per month for salaried full-time staff and one-half day per month for salaried staff working 30 hours or less per week. Unused sick leave is not paid to the employee at the time of termination. Vacation leave accrues as follows: 10 days per year for the first five years, 15 days per year for the following years. Unused vacation time is forfeited at the end of each calendar year. Unused vacation time is paid at the time of termination. No provision is made for compensated absences in these financial statements.

NOTE 5 – Restrictions/Limitations on Net Assets

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Organization's general activities. The permanently restricted fund balance of \$4,405 as of December 31, 2011, consists of an Art Endowment for \$3,905 and a permanently restricted donation to the Boys and Girls Club of America of \$500 as designated by the donor(s).

BOYS AND GIRLS CLUB OF LAWRENCE
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – 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 7 – Subsequent Events

Management has evaluated subsequent events through July 18, 2012, the date in which the financial statements were available to be issued.

