

**Financial Statements**

**THE FLORIDA DISTRICT OF  
KEY CLUB INTERNATIONAL**

**September 30, 2013**

**THE FLORIDA DISTRICT OF KEY CLUB INTERNATIONAL**

**Financial Statements**

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**(With Independent Accountant's Review Report Thereon)**

THE FLORIDA DISTRICT OF KEY CLUB INTERNATIONAL

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## Independent Accountant's Review Report

To the Board of Trustees  
The Florida District of Key Club International:

We have reviewed the accompanying statement of assets, liabilities and net assets – modified cash basis of The Florida District of Key Club International (a nonprofit organization) as of September 30, 2013, and the related statement of support, revenues, expenses, and changes in net assets – modified cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in note 1(b).

*Schafer, Tschopp, Whitcomb, Mitchell & Sheridan, LLP*

Altamonte Springs, Florida  
November 26, 2013

THE FLORIDA DISTRICT OF KEY CLUB INTERNATIONAL

Statement of Assets, Liabilities and Net Assets - Modified Cash Basis

September 30, 2013

Assets

Current assets:

Cash (including \$3,123 of convention reserves)	\$ 90,456
Investments, at fair value	<u>203,809</u>
Total assets	<u>\$ 294,265</u>

Liabilities and Net Assets

Liabilities	\$ -
Net assets:	
Unrestricted:	
Operating	162,324
Florida Opportunity Fund	9,965
Convention reserves	<u>121,976</u>
Total net assets	<u>294,265</u>
Total liabilities and net assets	<u>\$ 294,265</u>

See accompanying notes and independent accountants' review report.

THE FLORIDA DISTRICT OF KEY CLUB INTERNATIONAL  
**Statement of Support, Revenues, Expenses and Changes in Net Assets -  
 Modified Cash Basis**

Year ended September 30, 2013

Support and revenues:	
Dues (including \$9,005 for Florida Opportunity Fund)	\$ 72,296
District convention	507,167
International convention	45,503
Foundation grants	21,625
Eliminate project	13,453
Matching scholarships	3,000
Realized gain (loss) on investments	2,641
Unrealized gain (loss) on investments	27,324
Interest, net of fees	565
Miscellaneous income	16,773
Total support and revenues	710,347
Expenses:	
General operations	63,164
District convention	507,620
International convention expenses	56,512
Eliminate project	13,679
Florida Opportunity Fund	9,005
Total expenses	649,980
Increase in net assets	60,367
Net assets, beginning of year	233,898
Net assets, end of year	\$ 294,265

See accompanying notes and independent accountants' review report.

# THE FLORIDA DISTRICT OF KEY CLUB INTERNATIONAL

## Notes to Financial Statements

September 30, 2013

### (1) Organization and Summary of Significant Accounting Policies

- (a) **Organization and Operations** - The Florida District of Key Club International (the Organization) is a sponsored organization of the Florida District of Kiwanis International, Inc., a not-for-profit organization. The Organization's primary purpose is to serve as a service leadership program of the Florida District of Kiwanis International. The Florida District of Key Club International is composed exclusively of high school students, all under the age of majority and under the management and supervision of the Florida District of Kiwanis International. Therefore, their financial records are maintained and managed by the Florida District of Kiwanis International. The Organization's support comes primarily from dues paid by its members.
- (b) **Basis of Accounting** - The Florida District of Key Club International presents its financial statements on the modified cash basis, an accounting basis frequently used by smaller nonprofit organizations. The modified cash basis is the cash basis, except for the capitalization of long-lived assets, the recording of depreciation thereon, and the recording of investments at fair market value. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America in that certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. In addition, certain controlled organizations are not consolidated into these financial statements. Accordingly, the accompanying financial statements are not intended to present financial position and changes in net assets in conformity with accounting principles generally accepted in the United States of America.
- (c) **Use of Estimates** - In preparing the financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (d) **Revenue Recognition** - Revenues that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contributions are recognized. All other donor-restricted revenues are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenues, expenses and changes in net assets – modified cash basis as net assets released from restrictions.

THE FLORIDA DISTRICT OF KEY CLUB INTERNATIONAL

Notes to Financial Statements

September 30, 2013

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

- (e) ***Investments*** - Investments are stated at fair value which is determined based on quoted market prices.
- (f) ***Property and Equipment*** - Property and equipment are recorded at cost, or for donated assets, fair value at the date of donation. Donated assets are classified as unrestricted unless the donor restricts their use for particular purposes.
- (g) ***Depreciation*** - The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. The estimated useful lives of property and equipment for purposes of depreciation are as follows:

Land improvements	10 years
Building and improvements	31.5 years
Furniture and fixtures	5 years

- (h) ***Concentration of Credit Risk*** – Financial instruments that potentially subject the Organization to concentrations of credit risk are primarily cash and accounts receivable. The Organization’s cash deposits are placed in highly rated financial institutions which at times may exceed the Federal Deposit Insurance Corporation (FDIC) coverage. The Organization has not experienced any losses in its cash accounts and does not believe it is exposed to any significant credit risks related to uninsured amounts.
- (i) ***Subsequent Events*** – In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through November 26, 2013, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of November 26, 2013 have been incorporated into these financial statements.

(2) **Tax Exempt Status**

The Organization is a sponsored organization of the Florida District of Kiwanis International, Inc., a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; accordingly, there is no provision for income taxes included in these financial statements.



THE FLORIDA DISTRICT OF KEY CLUB INTERNATIONAL

**Notes to Financial Statements**

September 30, 2013

**(2) Tax Exempt Status (Continued)**

In accordance with “Income Taxes” FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of September 30, 2013, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization’s income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2010 to 2012 are open to examination by federal authorities.

**(3) Investments**

Effective October 1, 2008, the Organization adopted new accounting standards for fair value measurement, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements of assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis. The adoption of these provisions did not impact the Organization’s financial position or results of operations.

Fair value is defined under “Fair Value Measurements and Disclosures,” FASB Accounting Standards Codification Topic 820 (Topic 820) as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

Level 1: quoted prices in active markets for identical assets or liabilities

THE FLORIDA DISTRICT OF KEY CLUB INTERNATIONAL

Notes to Financial Statements

September 30, 2013

(3) Investments (Continued)

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

Level 2: quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3: inputs that are unobservable (for example, cash flow modeling based on assumptions)

The Organization did not change its valuation techniques during the year and continues to use Level 1 inputs to measure the fair value of its investments.

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis as of September 30, 2013, based on the level of input utilized to measure fair value. All investments at September 30, 2013 have been valued using input level 1.

	<u>Cost</u>	<u>Fair Value</u>
Unrestricted operating investments:		
First Trust Dow Jones Internet	\$ 4,575	8,066
First Trust ETF II Consumer Discretionary Alphadex	4,315	7,413
First Trust ETF II Consumer Staples Alphadex	3,631	4,933
First Trust Health Care Alphadex	3,864	5,415
Ishares U.S. Fin Svc	3,838	3,705
Ishares TR Transp Ave Idx	2,076	2,941
Ishares TR S&P Midcap 400	2,034	3,104
Ishares TR S&P Na Softwr	1,960	2,288
Ishares TR Cohen&St Rlty	1,885	2,306
Ishares TR Cons Servc Idx	1,871	3,299
Ishares Core S&P Sep	4,858	4,990
Ishares U.S. Home Cons	2,336	2,234
Ishares TR NASDAQ Bio Index	6,013	10,480
Powershares ETF Dynamic Leisure & Entertainment	6,248	9,438
Powershares ETF Dynamic Pharmaceuticals	2,948	4,603
Powershares ETD Dynamic Food & Beverage	3,923	5,088
Powershares ETF Dynamic Media	4,505	4,654
	<u>60,880</u>	<u>84,957</u>

THE FLORIDA DISTRICT OF KEY CLUB INTERNATIONAL

Notes to Financial Statements

September 30, 2013

(3) Investments (Continued)

	<u>Cost</u>	<u>Fair Value</u>
Convention reserves:		
First Trust Dow Jones Internet	6,089	10,754
First Trust ETF II Consumer Discretionary Alphadex	6,883	11,860
First Trust ETF II Materials Alphadex Fund Annual	6,314	8,709
First Trust ETF II Consumer Staples Alphadex	4,837	6,578
First Trust Health Care Alphadex Fd ETF	3,864	5,415
First Trust NYSE ARCA Biotechnical	6,470	6,480
Ishares U.S. Fin Svc	7,661	7,411
Ishares TR S&P Na Softwr	2,384	3,433
Ishares TR Phlx Sox Semicnd	2,412	3,332
Ishares TR S&P Na Tech Fd	3,316	3,989
Ishares TR Cohen&St Rlty	3,527	3,844
Ishares TR Cons Srvs Idx	2,483	4,399
Ishares TR DJ US Tech Sec	2,360	3,152
Ishares TR DJ US Real Est	2,145	2,552
Ishares TR DJ US Industrl	3,605	4,526
Ishares TR Cons Goods Idx	2,413	3,572
Ishares TR DJ US Bas Matl	2,304	2,589
Powershares ETF Dynamic Food & Beverage	9,750	12,720
Powershares ETF Trust II KBW	7,385	7,302
Powershares ETF Trust II KBW High Dividend	5,937	6,235
	<u>92,139</u>	<u>118,852</u>
	<u>\$ 153,019</u>	<u>203,809</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2013.

Interest and dividends, net of fees	\$ 565
Unrealized gains	27,324
Realized gains	<u>2,641</u>
	<u>\$ 30,530</u>

THE FLORIDA DISTRICT OF KEY CLUB INTERNATIONAL

**Notes to Financial Statements**

September 30, 2013

**(3) Investments (Continued)**

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, the values of investment securities may change, and these changes may materially affect the amounts reported in the statement of assets, liabilities and net assets – modified cash basis.

**(4) Related Party Transactions**

The Florida District of Kiwanis (Kiwanis) is the sponsoring organization of the Florida District of Key Club International.

During the current year, the Organization paid reimbursements to Kiwanis for administrative services provided to the Organization. A total of \$12,000 was paid for these services during the current year.