

Circle K International

Accountants' Report and Financial Statements

September 30, 2012 and 2011

Circle K International
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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Circle K International
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Circle K International (Organization) as of September 30, 2012 and 2011, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 Circle K International as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses listed in the table of contents is presented for purposes of additional analysis and is 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.

BKD, LLP

January 11, 2013

Circle K International
Statements of Financial Position
September 30, 2012 and 2011

Assets

	2012	2011
Cash	\$ 62,069	\$ 143,304
Accounts receivable	805	1,562
Prepaid expenses and other	18,275	15,425
Total assets	\$ 81,149	\$ 160,291

Liabilities

Due to Kiwanis International	\$ 3,580	\$ 104,735
Other liabilities	825	499
Total liabilities	4,405	105,234

Net Assets - Unrestricted

Total unrestricted net assets	76,744	55,057
Total liabilities and net assets	\$ 81,149	\$ 160,291

Circle K International
Statements of Activities
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue, Gains and Other Support		
Membership dues and fees	\$ 216,210	\$ 234,652
Convention fees	62,745	76,851
Investment income	152	197
Grant income	36,392	35,474
Subsidies from Kiwanis International	282,054	248,521
Miscellaneous	4,893	14,300
Total revenue, gains and other support	<u>602,446</u>	<u>609,995</u>
Expenses		
Program Services		
Governance	94,280	73,172
International convention	64,225	105,894
Leadership, education and development	185,463	159,103
Magazine	5,154	7,166
Communications	40,548	35,986
Grants	29,096	22,942
Total program services	<u>418,766</u>	<u>404,263</u>
General and administrative expenses	107,709	77,805
Membership and club development	54,284	53,710
Total expenses	<u>580,759</u>	<u>535,778</u>
Change in Net Assets	21,687	74,217
Net Assets, Beginning of Year	<u>55,057</u>	<u>(19,160)</u>
Net Assets, End of Year	<u>\$ 76,744</u>	<u>\$ 55,057</u>

Circle K International
Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	\$ 21,687	\$ 74,217
Changes in		
Accounts receivable	757	(1,562)
Prepaid expenses and other	(2,850)	(10,270)
Due to Kiwanis International and other liabilities	(100,829)	(2,182)
Net cash provided by (used in) operating activities	(81,235)	60,203
Net Increase (Decrease) in Cash	(81,235)	60,203
Cash, Beginning of Year	143,304	83,101
Cash, End of Year	\$ 62,069	\$ 143,304
Supplemental Cash Flows Information		
Cash paid for interest	\$ -	\$ 71

Circle K International

Notes to Financial Statements

September 30, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

General

Circle K International (Organization) was organized in October 1955 and incorporated as a not-for-profit organization in February 1957 under the laws of the State of Illinois. Subsequently, in February 2003, the Organization was incorporated under the laws of the State of Indiana. The Organization provides supporting services to Circle K clubs whose purpose is to provide personal growth for university students through community service and leadership development.

The financial statements are comprised of the accounts of the international Organization. The accounts of districts and member clubs are not part of the financial statements. The primary source of revenue for the Organization are membership dues, convention fees and subsidies from Kiwanis International.

Use of 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 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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At September 30, 2012, the Organization's cash account held in the United States was fully insured by the FDIC.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts through December 31, 2012, at all FDIC-insured institutions.

Membership Dues and Service Fee Revenues

Membership dues and fees are collected from clubs and recognized when earned.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code and a similar provision of state law. The Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2009.

Circle K International

Notes to Financial Statements

September 30, 2012 and 2011

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis. Certain costs have been allocated among the program services and general and administrative services based on cost allocations estimated by the Organization's personnel.

Note 2: Affiliated Organizations

The Organization is affiliated with the following organizations through transactions and relations with Kiwanis International:

Kiwanis International - This is a not-for-profit organization exempt from taxation under Section 501(c)(4) of the U.S. Internal Revenue Code. Kiwanis International was established for the purpose of providing services to Kiwanis clubs.

Key Club International - This is a not-for-profit organization exempt from taxation under Section 501(c)(3) of the U.S. Internal Revenue Code. Key Club International was established for the purpose of providing services to Key Club clubs.

Kiwanis International Foundation - This is a not-for-profit organization exempt from taxation under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation was created to form, promote, sponsor or assist related and qualified charitable, benevolent, educational, religious, or scientific enterprises.

In accordance with generally accepted accounting principles in the United States, consolidated financial statements are also prepared for Kiwanis International and its affiliates, which include Circle K International, and are issued under a separate cover.

Note 3: Transactions With Affiliates

Kiwanis International exerts significant managerial influence over the Organization, which shares common office facilities and staff with Kiwanis International, Key Club International and Kiwanis International Foundation.

The amounts due to Kiwanis International consist of expenses paid by Kiwanis International on behalf of the Organization. Interest charged on unpaid balances due to Kiwanis International was \$0 and \$71 for the years ended September 30, 2012 and 2011, respectively.

The Organization was subsidized by Kiwanis International for certain administrative expenses, which totaled \$282,054 and \$248,521 for the years ended September 30, 2012 and 2011, respectively.

The Organization received \$15,000 and \$16,500 in grant income from Kiwanis International Foundation in 2012 and 2011, respectively.

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Notes to Financial Statements
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Note 4: Employee Benefit Plans

Kiwanis International employees who provide services for the Organization are participants in the Kiwanis International 401(k) Plan (a defined-contribution retirement savings plan). All employer costs of this plan are included in the employee benefits cost allocation paid to Kiwanis International.

Note 5: Current Economic Conditions

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in assets, declines in membership dues, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Organization.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for receivables that could negatively impact the Organization's ability to maintain sufficient liquidity.

Note 6: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the financial statements were available to be issued.

Supplementary Information

Circle K International
Schedules of Expenses
September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Salaries and benefits	\$ 276,535	\$ 244,123
Office supplies	651	1,065
Postage	2,490	2,079
Promotional materials	16,054	16,667
Travel	60,562	54,340
Printing	14,406	7,411
Magazine	3,060	4,430
Awards	4,503	5,017
Professional fees	15,172	7,318
Meetings and conferences	98,520	85,992
Interest	-	71
International convention	62,206	82,743
Building costs	<u>26,600</u>	<u>24,522</u>
Total expenses	<u>\$ 580,759</u>	<u>\$ 535,778</u>