

Kiwanis International and Affiliates

Accountants' Report and Consolidated Financial Statements

September 30, 2012 and 2011

Kiwanis International and Affiliates

September 30, 2012 and 2011

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Independent Accountants' Report on Consolidated Financial Statements and Supplementary Information

Board of Trustees
Kiwanis International
Indianapolis, Indiana

We have audited the accompanying consolidated statements of financial position of Kiwanis International (Kiwanis) as of September 30, 2012 and 2011, and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kiwanis 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 consolidated financial statements as a whole. The consolidating schedules of statement of financial position and statement of activities information listed in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

BKD, LLP

January 11, 2013

Kiwanis International and Affiliates
Consolidated Statements of Financial Position
September 30, 2012 and 2011

Assets

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 4,974,862	\$ 4,646,763
Investments	34,432,440	30,230,829
Receivables	280,296	343,372
Contributions receivable	6,682,007	1,483,975
Merchandise inventory	933,445	537,401
Prepaid expenses and other	921,073	1,018,437
Cash value of life insurance contracts	211,563	186,015
Beneficial interest in assets held by others	163,570	133,086
Advances to affiliates	-	48,744
Property and equipment, net	<u>5,310,015</u>	<u>5,874,525</u>
Total assets	<u>\$ 53,909,271</u>	<u>\$ 44,503,147</u>

Liabilities

Accounts payable and accrued expenses	\$ 1,845,398	\$ 1,681,605
Accounts payable - affiliates	112,264	46,533
Grants payable	62,221	44,091
Deferred revenue and other liabilities	51,950	157,325
Liability insurance accrual	875,201	1,060,733
Annuities payable	<u>135,876</u>	<u>162,947</u>
Total liabilities	<u>3,082,910</u>	<u>3,153,234</u>

Net Assets

Unrestricted	29,561,096	27,260,509
Temporarily restricted	10,119,530	3,228,261
Permanently restricted	<u>11,145,735</u>	<u>10,861,143</u>
Total net assets	<u>50,826,361</u>	<u>41,349,913</u>
Total liabilities and net assets	<u>\$ 53,909,271</u>	<u>\$ 44,503,147</u>

Kiwanis International and Affiliates
Consolidated Statement of Activities
Year Ended September 30, 2012

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, Gains and Other Support				
Membership dues and fees	\$ 16,197,906	\$ -	\$ -	\$ 16,197,906
Contributions	1,165,094	11,923,993	293,677	13,382,764
Merchandise sales	1,700,276	-	-	1,700,276
Advertising	80,287	-	-	80,287
Investment income, net of fees	261,236	260,944	-	522,180
Service Leadership Programs	621,997	-	-	621,997
Grants and other	472,542	-	-	472,542
	<u>20,499,338</u>	<u>12,184,937</u>	<u>293,677</u>	<u>32,977,952</u>
Net assets released from restriction	6,487,519	(6,487,519)	-	-
Total revenue, gains and other support	<u>26,986,857</u>	<u>5,697,418</u>	<u>293,677</u>	<u>32,977,952</u>
Expenses				
Programs:				
Membership growth and education	2,890,822	-	-	2,890,822
Communications	1,328,084	-	-	1,328,084
Corporate relations and branded programs	279,281	-	-	279,281
Service Leadership Programs	693,136	-	-	693,136
Global Services	994,508	-	-	994,508
Merchandise, including cost of sales	1,794,230	-	-	1,794,230
Magazine	1,490,920	-	-	1,490,920
International convention	2,044,629	-	-	2,044,629
Liability insurance	1,349,481	-	-	1,349,481
Grants, programs and education	3,727,059	-	-	3,727,059
Total program services	<u>16,592,150</u>	<u>-</u>	<u>-</u>	<u>16,592,150</u>
General and administrative	4,338,877	-	-	4,338,877
Membership services	1,430,530	-	-	1,430,530
Governance	1,688,551	-	-	1,688,551
Fundraising	3,292,572	-	-	3,292,572
Currency exchange, bad debt losses and other	162,503	297,554	9,085	469,142
Total expenses	<u>27,505,183</u>	<u>297,554</u>	<u>9,085</u>	<u>27,811,822</u>
Change in Net Assets Before Other Gains				
(Losses)	(518,326)	5,399,864	284,592	5,166,130
Realized and unrealized gains on investments	2,757,272	1,491,405	-	4,248,677
Change in value of annuities payable	61,641	-	-	61,641
	<u>2,300,587</u>	<u>6,891,269</u>	<u>284,592</u>	<u>9,476,448</u>
Change in Net Assets				
	2,300,587	6,891,269	284,592	9,476,448
Net Assets, Beginning of Year	<u>27,260,509</u>	<u>3,228,261</u>	<u>10,861,143</u>	<u>41,349,913</u>
Net Assets, End of Year	<u>\$ 29,561,096</u>	<u>\$ 10,119,530</u>	<u>\$ 11,145,735</u>	<u>\$ 50,826,361</u>

Kiwanis International and Affiliates
Consolidated Statement of Activities
Year Ended September 30, 2011

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, Gains and Other Support				
Membership dues and fees	\$ 16,558,380	\$ -	\$ -	\$ 16,558,380
Contributions	300,065	5,488,738	292,368	6,081,171
In-kind contributions	313,488	-	-	313,488
Merchandise sales	1,788,901	-	-	1,788,901
Advertising	179,553	-	-	179,553
Investment income, net of fees	648,714	(51,159)	-	597,555
Service Leadership Programs	264,296	-	-	264,296
Grants and other	155,337	-	-	155,337
	<u>20,208,734</u>	<u>5,437,579</u>	<u>292,368</u>	<u>25,938,681</u>
Net assets released from restriction	3,810,050	(3,756,088)	(53,962)	-
Total revenue, gains and other support	<u>24,018,784</u>	<u>1,681,491</u>	<u>238,406</u>	<u>25,938,681</u>
Expenses				
Programs:				
Membership growth and education	3,314,287	-	-	3,314,287
Communications	1,113,572	-	-	1,113,572
Corporate relations and branded programs	15,855	-	-	15,855
Service Leadership Programs	393,372	-	-	393,372
Global Services	964,120	-	-	964,120
Merchandise, including cost of sales	2,155,408	-	-	2,155,408
Magazine	1,405,741	-	-	1,405,741
International convention	2,309,947	-	-	2,309,947
Liability insurance	1,660,124	-	-	1,660,124
Grants, programs and education	2,881,785	-	-	2,881,785
Total program services	<u>16,214,211</u>	<u>-</u>	<u>-</u>	<u>16,214,211</u>
General and administrative	3,920,070	-	-	3,920,070
Membership services	1,462,201	-	-	1,462,201
Governance	1,443,715	-	-	1,443,715
Fundraising	1,861,478	-	-	1,861,478
Currency exchange, bad debt losses and other	56,040	78,446	5,974	140,460
Total expenses	<u>24,957,715</u>	<u>78,446</u>	<u>5,974</u>	<u>25,042,135</u>
Change in Net Assets Before Other Gains (Losses)				
	(938,931)	1,603,045	232,432	896,546
Realized and unrealized losses on investments	(483,453)	-	-	(483,453)
Change in value of annuities payable	<u>(30,927)</u>	<u>-</u>	<u>-</u>	<u>(30,927)</u>
Change in Net Assets	(1,453,311)	1,603,045	232,432	382,166
Net Assets, Beginning of Year	<u>28,713,820</u>	<u>1,625,216</u>	<u>10,628,711</u>	<u>40,967,747</u>
Net Assets, End of Year	<u>\$ 27,260,509</u>	<u>\$ 3,228,261</u>	<u>\$ 10,861,143</u>	<u>\$ 41,349,913</u>

Kiwanis International and Affiliates
Consolidated Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	\$ 9,476,448	\$ 382,166
Items not requiring (providing) cash		
Depreciation	822,483	845,471
Increase in cash value of life insurance contracts	(25,548)	(9,169)
Gain on disposals of property and equipment	(2,661)	-
Realized and unrealized (gains) losses on investments	(4,248,677)	483,453
Change in value of annuities payable	(2,682)	17,404
Changes in		
Receivables	63,076	476,481
Contributions receivable	(5,198,032)	(1,442,475)
Merchandise inventory	(396,044)	241,659
Prepaid expenses and other	97,364	(242,707)
Beneficial interest in assets held by others	(30,484)	(60,567)
Advances to affiliates	48,744	(47,945)
Accounts payable and accrued expenses	163,793	102,291
Accounts payable - affiliates	65,731	12,067
Grants payable	18,130	(37,642)
Liability insurance accrual	(185,532)	79,007
Deferred revenue and other liabilities	(105,375)	(101,643)
Net cash provided by operating activities	560,734	697,851
Investing Activities		
Purchase of property and equipment	(255,312)	(505,518)
Purchase of investment securities	(29,786,255)	(35,799,712)
Sales and maturities of investment securities	29,833,321	35,501,823
Net cash used in investing activities	(208,246)	(803,407)
Financing Activity - net payments of annuities	(24,389)	(27,625)
Net Increase (Decrease) in Cash and Cash Equivalents	328,099	(133,181)
Cash and Cash Equivalents, Beginning of Year	4,646,763	4,779,944
Cash and Cash Equivalents, End of Year	\$ 4,974,862	\$ 4,646,763

Kiwanis International and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

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

General

Kiwanis International and Affiliates (Kiwanis) consists of the following four affiliated organizations:

- **Kiwanis International**

Kiwanis International (International) is the parent organization and was organized in January 1915 and incorporated as a not-for-profit organization in August 1918 under the laws of the State of Illinois. Subsequently, in November 1997, International was incorporated under the laws of the State of Indiana. International consists of all chartered Kiwanis clubs. Individuals are members of their local Kiwanis clubs.

International has six permanent objectives:

- To give primacy to the human and spiritual, rather than to the material values of life.
- To encourage the daily living of the Golden Rule in all human relationships.
- To promote the adoption and the application of higher social, business and professional standards.
- To develop, by precept and example, a more intelligent, aggressive and serviceable citizenship.
- To provide, through Kiwanis clubs, a practical means to form enduring friendships, to render altruistic service and to build better communities.
- To cooperate in creating and maintaining that sound public opinion and high idealism, which make possible the increase of righteousness, justice, patriotism and good will.

International has the power to direct, manage, supervise and control the business, property and funds of Kiwanis International, to create, supervise, and control Kiwanis districts, and to grant and revoke charters for Kiwanis International clubs. International's primary sources of revenue are membership dues and fees, magazine subscription fees, liability insurance fees, convention fees and merchandise sales.

- **Kiwanis International Foundation**

Kiwanis International Foundation (Foundation) was incorporated as a not-for-profit organization in April 1939, under the laws of the State of Illinois. Subsequently, in December 1997, Foundation was incorporated under the laws of the State of Indiana.

The Foundation was created to form, promote, sponsor or assist related and qualified charitable, benevolent, eleemosynary, educational, religious or scientific enterprises. The Foundation provides funding for scholarships, merit awards, disaster relief and other various needs for supporting young children.

Kiwanis International and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

- **Key Club International**

Key Club International (Key Club) was organized in 1946 and was incorporated as a not-for-profit organization in August 1947 under the laws of the State of Illinois. Subsequently, in December 1997, Key Club was incorporated under the laws of the State of Indiana. Key Club was established for the purpose of providing services to Key Club clubs.

- **Circle K International**

Circle K International (Circle K) 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, Circle K was incorporated under the laws of the State of Indiana. Circle K was established for the purpose of providing services to Circle K clubs.

The consolidated financial statements include the accounts of the above affiliated organizations. All material inter-organizational accounts and transactions have been eliminated in consolidation. The accounts of the member clubs are not part of the consolidated financial statements.

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 and Cash Equivalents

Kiwanis considers all liquid investments with original maturities of three months or less (excluding cash equivalents managed by outside investment firms) to be cash equivalents. At September 30, 2012 and 2011, cash equivalents consisted primarily of money market accounts in both the United States and foreign countries.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At September 30, 2012, Kiwanis' cash accounts held in the United States exceeded federally insured limits by approximately \$275,000.

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.

At September 30, 2012 and 2011, funds held outside the United States totaled approximately \$1,055,000 and \$1,551,000, respectively.

Kiwanis International and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Investments and Investment Return

Investments are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value.

Accounts Receivable

Accounts receivable consist of dues and fees and other amounts billed to clubs, companies and individuals. Kiwanis provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and current economic conditions. Receivables are ordinarily due upon receipt of the invoice. Accounts unpaid for more than 90 days are considered past due. Past due receivables are written off based on individual credit evaluation and specific circumstances of the club. Clubs with past due balances may be considered for charter revocation by Kiwanis' Board of Trustees.

Property and Equipment

Property and equipment are stated at cost, or at their fair value at the date of donation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	<u>Years</u>
Buildings and improvements	39 - 50 years
Furniture and equipment	3 - 20 years

Long-Lived Asset Impairment

Kiwanis evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2012 and 2011.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by Kiwanis has been limited by donors to a specific time period or purpose.

Kiwanis International and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Contributions receivable are reduced by an allowance for uncollectible pledges based upon historical information for pledge performance and known uncollectible pledges.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. At September 30, 2012, approximately \$297,600 of conditional promises to give were available to the Foundation based on matching requirements by the donor.

Contributed Services

No amounts have been included in the consolidated financial statements for contributed services. Kiwanis pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Kiwanis with specific assistance programs, campaign solicitations, and various committee assignments.

Dues and Service Fee Revenue

Membership dues, fees and subscriptions are collected from clubs on a worldwide basis, and are recognized when earned. Clubs are billed annually and may pay a one-time life membership fee for certain members. Life member fees are recognized as revenue when received.

Merchandise Inventory

Merchandise inventory consists primarily of Kiwanis logo merchandise. Inventories are stated at the lower of cost or market. Cost is determined using the weighted-average method.

Kiwanis International and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Currency Exchange Transactions

Gains and losses relating to currency exchange transactions are recorded in the consolidated statements of activities as a component of general and administrative expenses.

Self-Insured Medical Plan

Kiwanis has elected to act as a self-insurer for certain costs related to employee health and accident benefits and has purchased stop loss insurance to limit the uninsured liability. Costs resulting from uninsured losses are recorded as expense when incurred.

Income Taxes

Kiwanis is not subject to income taxes except on unrelated business income. Kiwanis International, Circle K, Key Club and the Foundation are exempt under Section 501 of the U.S. Internal Revenue Code. The Foundation is not considered to be a private foundation. Gross unrelated business revenues amounted to \$80,287 and \$179,553 for the years ended September 30, 2012 and 2011, respectively.

Kiwanis files tax returns in the U.S. federal jurisdiction. With a few exceptions, Kiwanis is no longer subject to U.S. federal examinations by tax authorities for years before 2009.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the program services, general and administrative and fundraising categories based on cost allocations estimated by Kiwanis personnel.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

Kiwanis International and Affiliates
Notes to Consolidated Financial Statements
September 30, 2012 and 2011

Note 2: Investments

Investments at September 30 consisted of the following:

	<u>2012</u>	<u>2011</u>
Kiwanis International		
Cash equivalents and money market funds	\$ 1,125,669	\$ 1,067,667
U.S. Government and related agency securities	4,172,881	4,552,377
Corporate bonds	2,677,748	2,800,194
International bonds	-	227,972
Common and preferred stocks:		
Small Cap	2,680,819	2,050,790
Large Cap	9,063,937	7,268,274
Emerging	940,757	699,803
International	1,832,229	1,488,704
Total common and preferred stocks	<u>14,517,742</u>	<u>11,507,571</u>
Subtotal - Kiwanis International	<u>22,494,040</u>	<u>20,155,781</u>
Kiwanis International Foundation		
Money market funds	<u>1,038,187</u>	<u>579,176</u>
Fixed income securities		
Long-term bonds	1,430,317	350,356
Intermediate-term bonds	443,468	325,411
Short-term bonds	714,852	901,937
Fixed income securities	413,189	601,105
Total fixed income securities	<u>3,001,826</u>	<u>2,178,809</u>
Common and preferred stocks		
Large-cap stocks	4,054,369	3,588,166
Mid- and small-cap stocks	1,903,339	1,484,900
International stocks	1,501,856	1,358,728
Equities blend	438,823	367,291
Total common and preferred stocks	<u>7,898,387</u>	<u>6,799,085</u>
Commodities	<u>-</u>	<u>474,701</u>
Limited partnership	<u>-</u>	<u>43,277</u>
Subtotal - Kiwanis International Foundation	<u>11,938,400</u>	<u>10,075,048</u>
	<u>\$ 34,432,440</u>	<u>\$ 30,230,829</u>

Kiwanis International and Affiliates
Notes to Consolidated Financial Statements
September 30, 2012 and 2011

Note 3: Contributions Receivable

Contributions receivable at September 30 consisted of the following:

	<u>2012</u>	<u>2011</u>
Due within one year	\$ 1,520,580	\$ 356,876
Due in one to five years	5,649,602	1,239,144
	<u>7,170,182</u>	<u>1,596,020</u>
Less:		
Allowance for uncollectible contributions	(389,175)	(86,340)
Unamortized discount	<u>(99,000)</u>	<u>(25,705)</u>
Net contributions receivable	<u>\$ 6,682,007</u>	<u>\$ 1,483,975</u>

The discount rates for 2012 and 2011 ranged from 0.18% to 0.78%.

Note 4: Beneficial Interest in Assets Held by Others

The Foundation has agreements with the Kiwanis Foundations of Canada, Jamaica and Japan that provide for contributions made to the Foundation to be held in those countries by the respective local foundations. The agreements also provide for the local foundations to recommend grants to be made from those funds that are ultimately approved by the Foundation. At September 30, 2012 and 2011, the balance of the beneficial interest in assets held by others was \$163,570 and \$133,086, respectively.

Note 5: Property and Equipment

Property and equipment at September 30 consists of:

	<u>2012</u>	<u>2011</u>
Buildings and improvements	\$ 5,935,106	\$ 5,936,280
Furniture and equipment	4,701,829	4,994,412
	<u>10,636,935</u>	<u>10,930,692</u>
Less: Accumulated depreciation	<u>(6,038,543)</u>	<u>(5,767,790)</u>
	4,598,392	5,162,902
Land	<u>711,623</u>	<u>711,623</u>
	<u>\$ 5,310,015</u>	<u>\$ 5,874,525</u>

Kiwanis International and Affiliates
Notes to Consolidated Financial Statements
September 30, 2012 and 2011

Note 6: Liability Insurance Program

Kiwanis maintains comprehensive general liability insurance for its members in the United States, Canada and the Caribbean. The policy is intended to provide legal liability insurance for sums which insureds may become legally obligated to pay as damages to third parties for bodily injury or property damage arising from a Kiwanis-sponsored function or activity. Each club in the U.S. and Canada is assessed \$12.00 per member annually. Caribbean clubs are assessed \$1.50 per member annually. Kiwanis is partially self-insured and pays the first \$75,000 per occurrence with a maximum annual self-insured aggregate exposure of \$1,000,000.

At September 30, 2012 and 2011, Kiwanis accrued \$875,201 and \$1,060,733 in relation to this program. The liability insurance accrual represents Kiwanis' best estimate of claims and fees that were incurred but unpaid as of the end of the fiscal year. Management believes that the provision for liability insurance will be adequate to cover the ultimate net cost of losses incurred to the statement of financial position date. The provision is an estimate and may ultimately be settled for a significantly greater or lesser amount and it is at least reasonably possible that management will revise the estimate in the near term. Any subsequent differences arising are recorded in the period in which they are determined.

Note 7: Annuities Payable

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Foundation has recorded a liability at September 30, 2012 and 2011, of \$135,876 and \$162,947, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from 3.2% to 9.0%.

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30 are available for the following purposes or periods:

	<u>2012</u>	<u>2011</u>
Eliminate Project	\$ 7,374,276	\$ 1,784,864
Scholarships, awards, grants and other programs	2,712,068	1,404,811
Trick-or Treat	22,288	23,313
Friend-a-Gorilla	7,273	7,273
Key Leader	<u>3,625</u>	<u>8,000</u>
	<u>\$ 10,119,530</u>	<u>\$ 3,228,261</u>

Kiwanis International and Affiliates
Notes to Consolidated Financial Statements
September 30, 2012 and 2011

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as of September 30:

	<u>2012</u>	<u>2011</u>
Eliminate Project	\$ 5,980,888	\$ 2,915,117
Scholarships, awards, grants and other programs	452,256	78,861
Trick-or-Treat	-	766,072
Friend-a-Gorilla	-	-
Key Leader	54,375	50,000
	<u>\$ 6,487,519</u>	<u>\$ 3,810,050</u>

Note 9: Permanently Restricted Net Assets

Permanently restricted net assets at September 30 are restricted to:

	<u>2011</u>	<u>2010</u>
Investment in perpetuity, the income of which is expendable to support:		
USI Sustainability Fund	\$ 1,846,595	\$ 1,839,118
Youth Opportunities	1,280,900	1,149,940
Other	1,145,665	1,153,914
Any activity of the Foundation	6,872,575	6,718,171
	<u>\$ 11,145,735</u>	<u>\$ 10,861,143</u>

Note 10: Endowment

The Foundation's endowment consists of approximately 20 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Kiwanis International and Affiliates

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The Foundation's governing body has interpreted the State of Indiana's Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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 Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment plus the original value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at September 30, 2012 and 2011 was:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	<u>\$ (30,128)</u>	<u>\$ 1,792,006</u>	<u>\$ 11,130,140</u>	<u>\$ 12,892,018</u>
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ (124,014)</u>	<u>\$ 395,802</u>	<u>\$ 10,843,493</u>	<u>\$ 11,115,281</u>

Kiwanis International and Affiliates
Notes to Consolidated Financial Statements
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Changes in endowment net assets for the years ended September 30, 2012 and 2011 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, October 1, 2010	\$ (409,295)	\$ 59,164	\$ 10,628,711	\$ 10,278,580
Investment loss	(30,003)	(63,354)	-	(93,357)
Contributions	-	5,707	291,921	297,628
Appropriation of endowment assets for expenditure	-	(46,329)	-	(46,329)
Uncollectible pledges	315,284	440,614	(77,139)	678,759
Endowment net assets, September 30, 2011	(124,014)	395,802	10,843,493	11,115,281
Investment income	93,886	1,625,969	-	1,719,855
Contributions	-	-	286,647	286,647
Appropriation of endowment assets for expenditure	-	(257,572)	-	(257,572)
Other changes	-	27,807	-	27,807
Endowment net assets, September 30, 2012	<u>\$ (30,128)</u>	<u>\$ 1,792,006</u>	<u>\$ 11,130,140</u>	<u>\$ 12,892,018</u>

During 2011, the Foundation reevaluated its calculation of underwater endowments based on the application of the spending rate and investment income allocations. Based on this evaluation, it was determined that \$678,759 was required to be included in the various endowment funds.

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at September 30 consisted of:

	2012	2011
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	<u>\$ 11,130,140</u>	<u>\$ 10,843,493</u>
Temporarily restricted net assets		
Portion of perpetual endowment funds subject to a time restriction under SPMIFA		
With purpose restrictions	\$ 945,001	\$ 385,042
Without purpose restrictions	<u>847,005</u>	<u>10,760</u>
	<u>\$ 1,792,006</u>	<u>\$ 395,802</u>

Kiwanis International and Affiliates

Notes to Consolidated Financial Statements

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From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated \$30,128 and \$124,014 at September 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Standard & Poors 500 index while assuming the lowest possible risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 10% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints

The Foundation has a policy of appropriating for distribution each year up to 4% of its endowment fund's average fair value over the prior 12 quarters. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Kiwanis International and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Note 11: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as 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. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, common and preferred stocks and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. Government and related agency securities, international bonds and corporate bonds. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include investments in limited partnerships.

Beneficial Interest in Assets Held by Others

Fair value is estimated using the values of the underlying assets, which represent cash accounts held in foreign countries. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Kiwanis International and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

The following tables present the fair value measurements of investments recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2012 and 2011:

	2012			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
<i>Kiwanis International</i>				
Cash equivalents and money market funds	\$ 1,125,669	\$ 1,125,669	\$ -	\$ -
U.S. Government and related agency securities	4,172,881	-	4,172,881	-
Corporate bonds	2,677,748	-	2,677,748	-
Common and preferred stocks:				
Small Cap	2,680,819	2,680,819	-	-
Large Cap	9,063,937	9,063,937	-	-
Emerging	940,757	940,757	-	-
International	1,832,229	1,832,229	-	-
Total common and preferred stocks	<u>14,517,742</u>	<u>14,517,742</u>	<u>-</u>	<u>-</u>
Subtotal - Kiwanis International	<u>22,494,040</u>	<u>15,643,411</u>	<u>6,850,629</u>	<u>-</u>
<i>Kiwanis International Foundation</i>				
Money market funds	<u>1,038,187</u>	<u>1,038,187</u>	<u>-</u>	<u>-</u>
Fixed income securities				
Long-term bonds	1,430,317	426,827	1,003,490	-
Intermediate-term bonds	443,468	347,333	96,135	-
Short-term bonds	714,852	692,438	22,414	-
Fixed income blend	413,189	413,189	-	-
Total fixed income securities	<u>3,001,826</u>	<u>1,879,787</u>	<u>1,122,039</u>	<u>-</u>
Common and preferred stocks				
Large-cap stocks	4,054,369	4,054,369	-	-
Mid- and small-cap stocks	1,903,339	1,903,339	-	-
International stocks	1,501,856	1,501,856	-	-
Equities blend	438,823	438,823	-	-
Total common and preferred stocks	<u>7,898,387</u>	<u>7,898,387</u>	<u>-</u>	<u>-</u>
Subtotal - Kiwanis International Foundation	<u>11,938,400</u>	<u>10,816,361</u>	<u>1,122,039</u>	<u>-</u>
Total investments	34,432,440	26,459,772	7,972,668	-
Beneficial interest in assets held by others	<u>163,570</u>	<u>-</u>	<u>163,570</u>	<u>-</u>
	<u>\$ 34,596,010</u>	<u>\$ 26,459,772</u>	<u>\$ 8,136,238</u>	<u>\$ -</u>

Kiwanis International and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

	2011			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
<i>Kiwanis International</i>				
Cash equivalents and money market funds	\$ 1,067,667	\$ 1,067,667	\$ -	\$ -
U.S. Government and related agency securities	4,552,377	-	4,552,377	-
Corporate bonds	2,800,194	-	2,800,194	-
International bonds	227,972	-	227,972	-
Common and preferred stocks:				
Small Cap	2,050,790	2,050,790	-	-
Large Cap	7,268,274	7,268,274	-	-
Emerging	699,803	699,803	-	-
International	1,488,704	1,488,704	-	-
Total common and preferred stocks	<u>11,507,571</u>	<u>11,507,571</u>	<u>-</u>	<u>-</u>
Subtotal - Kiwanis International	<u>20,155,781</u>	<u>12,575,238</u>	<u>7,580,543</u>	<u>-</u>
<i>Kiwanis International Foundation</i>				
Money market funds	<u>579,176</u>	<u>579,176</u>	<u>-</u>	<u>-</u>
Fixed income securities				
Long-term bonds	350,356	139,505	210,851	-
Intermediate-term bonds	325,411	325,411	-	-
Short-term bonds	901,937	703,604	198,333	-
Fixed income blend	601,105	601,105	-	-
Total fixed income securities	<u>2,178,809</u>	<u>1,769,625</u>	<u>409,184</u>	<u>-</u>
Common and preferred stocks				
Large-cap stocks	3,588,166	3,588,166	-	-
Mid- and small-cap stocks	1,484,900	1,484,900	-	-
International stocks	1,358,728	1,358,728	-	-
Equities blend	367,291	367,291	-	-
Total common and preferred stocks	<u>6,799,085</u>	<u>6,799,085</u>	<u>-</u>	<u>-</u>
Commodities	<u>474,701</u>	<u>474,701</u>	<u>-</u>	<u>-</u>
Limited partnership	43,277	-	-	43,277
Subtotal - Kiwanis International Foundation	<u>10,075,048</u>	<u>9,622,587</u>	<u>409,184</u>	<u>43,277</u>
Total investments	30,230,829	22,197,825	7,989,727	43,277
Beneficial interest in assets held by others	<u>133,086</u>	<u>-</u>	<u>133,086</u>	<u>-</u>
	<u>\$ 30,363,915</u>	<u>\$ 22,197,825</u>	<u>\$ 8,122,813</u>	<u>\$ 43,277</u>

Kiwanis International and Affiliates
Notes to Consolidated Financial Statements
September 30, 2012 and 2011

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

	Investment in Limited Partnership
Balance at October 1, 2010	\$ 798,639
Sales	(866,624)
Realized and unrealized gains included in the change in net assets	<u>111,262</u>
Balance at September 30, 2011	43,277
Sales	<u>(43,277)</u>
Balance at September 30, 2012	<u><u>\$ -</u></u>

Note 12: Line of Credit

International has a bank loan agreement which provides an unsecured \$2,000,000 line of credit for short-term borrowings. At September 30, 2012 and 2011, there were no borrowings outstanding under the line of credit. Interest on line of credit borrowings is payable monthly at the greater of 3.00% or the Bank's prime interest rate less 1.0%. The line of credit expires on February 13, 2013. The line of credit agreement requires Kiwanis to maintain certain financial statement ratios. At September 30, 2012, Kiwanis was in compliance with these requirements.

Note 13: Operating Leases

International rents various items of equipment under long-term noncancellable operating leases, which expire at various dates through January 21, 2018. Rental expense for these leases included in the consolidated statements of activities for the years ended September 30, 2012 and 2011, was approximately \$163,000 and \$172,000, respectively.

Minimum annual rental payments required under noncancellable operating leases, which have remaining terms in excess of one year as of September 30, 2012, were as follows:

2013	\$ 84,877
2014	56,688
2015	56,688
2016	48,298
2017	46,620
Thereafter	<u>42,735</u>
	<u><u>\$ 335,906</u></u>

Kiwanis International and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Note 14: Employee Benefit Plans

International has a defined-contribution 401(k) retirement savings plan covering substantially all employees (including employees who provide services for Key Club International, Circle K International and Kiwanis International Foundation). International makes matching contributions up to a maximum of 4% of the compensation that each employee contributes to the Plan. Kiwanis' contributions and administrative fees for the Plan were \$209,737 and \$207,271 for the years ended September 30, 2012 and 2011, respectively.

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Litigation

International is a party to pending legal actions related to the liability insurance provided to its members and is vigorously contesting these legal matters in conjunction with its insurance carriers. While it is not feasible to predict or determine the outcome of such actions, it is the opinion of management that such actions will not ultimately result in liability that would have a material adverse effect on the consolidated financial position of Kiwanis. Management's best estimate of the future liability for these claims is included in the liability insurance accrual.

Kiwanis is subject to other claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, change in net assets and cash flows of Kiwanis. Events could occur that would change this estimate materially in the near term.

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 the fair value of investments and other assets, declines in membership dues, merchandise sales and contributions, constraints on liquidity and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to Kiwanis.

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

Kiwanis International and Affiliates
Notes to Consolidated Financial Statements
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Note 16: Subsequent Events

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

Supplemental Information

Kiwanis International and Affiliates
Consolidating Schedule - Statement of Financial Position Information
September 30, 2012

Assets

	Kiwanis International	Circle K International	Key Club International	Kiwanis International Foundation			Eliminations	Total
				Operations	Eliminate Project	Total		
Cash and cash equivalents	\$ 1,520,801	\$ 62,069	\$ 1,000,963	\$ 1,546,949	\$ 844,080	\$ 2,391,029	\$ -	\$ 4,974,862
Investments	22,494,040	-	1,309,629	11,938,400	-	11,938,400	(1,309,629)	34,432,440
Receivables	279,491	805	-	-	-	-	-	280,296
Contributions receivable	-	-	-	21,607	6,660,400	6,682,007	-	6,682,007
Merchandise inventory	933,445	-	-	-	-	-	-	933,445
Prepaid expenses and other	716,704	18,275	173,485	11,981	628	12,609	-	921,073
Cash surrender value of life insurance	-	-	-	211,563	-	211,563	-	211,563
Beneficial interest in assets held by others	-	-	-	74,316	89,254	163,570	-	163,570
Property and equipment, net	5,310,015	-	-	-	-	-	-	5,310,015
Advances to affiliates	822,168	-	-	110,000	-	110,000	(932,168)	-
Interfund receivable (payable)	-	-	-	(177,466)	177,466	-	-	-
Total assets	\$ 32,076,664	\$ 81,149	\$ 2,484,077	\$ 13,737,350	\$ 7,771,828	\$ 21,509,178	\$ (2,241,797)	\$ 53,909,271

Liabilities

Accounts payable and accrued expenses	\$ 1,827,272	\$ -	\$ -	\$ 3,233	\$ 14,893	\$ 18,126	\$ -	\$ 1,845,398
Accounts payable - affiliates	222,264	3,580	320,072	115,857	382,659	498,516	(932,168)	112,264
Grants payable	-	-	-	62,221	-	62,221	-	62,221
Funds invested for Key Club International	1,309,629	-	-	-	-	-	(1,309,629)	-
Deferred revenue and other liabilities	41,029	825	10,096	-	-	-	-	51,950
Liability insurance accrual	875,201	-	-	-	-	-	-	875,201
Annuities payable	-	-	-	135,876	-	135,876	-	135,876
Total liabilities	4,275,395	4,405	330,168	317,187	397,552	714,739	(2,241,797)	3,082,910

Net Assets

Unrestricted	27,801,269	76,744	2,120,723	(437,640)	-	(437,640)	-	29,561,096
Temporarily restricted	-	-	33,186	2,712,068	7,374,276	10,086,344	-	10,119,530
Permanently restricted	-	-	-	11,145,735	-	11,145,735	-	11,145,735
Total net assets	27,801,269	76,744	2,153,909	13,420,163	7,374,276	20,794,439	-	50,826,361
Total liabilities and net assets	\$ 32,076,664	\$ 81,149	\$ 2,484,077	\$ 13,737,350	\$ 7,771,828	\$ 21,509,178	\$ (2,241,797)	\$ 53,909,271

Kiwanis International and Affiliates
Consolidating Schedule - Statement of Activities Information
Year Ended September 30, 2012

	Kiwanis International	Circle K International	Key Club International	Kiwanis International Foundation			Eliminations	Total
				Operations	Eliminate Project	Foundation Total		
Revenue, Gains and Other Support								
Membership dues and fees	\$ 13,664,491	\$ 278,955	\$ 2,386,022	\$ -	\$ -	\$ -	\$ (131,562)	\$ 16,197,906
Contributions	-	-	48,975	1,515,471	11,868,318	13,383,789	(50,000)	13,382,764
In-kind contributions	-	-	-	275,633	-	275,633	(275,633)	-
Merchandise sales	1,700,276	-	-	-	-	-	-	1,700,276
Advertising	80,287	-	-	-	-	-	-	80,287
Investment income, net of fees	232,849	152	17,219	272,424	(464)	271,960	-	522,180
Service Leadership Programs	264,296	-	357,701	-	-	-	-	621,997
Grants and other	495,263	41,285	75,082	-	-	-	(139,088)	472,542
Subsidies from Kiwanis International	-	282,054	521,432	-	-	-	(803,486)	-
Total revenue, gains and other support	<u>16,437,462</u>	<u>602,446</u>	<u>3,406,431</u>	<u>2,063,528</u>	<u>11,867,854</u>	<u>13,931,382</u>	<u>(1,399,769)</u>	<u>32,977,952</u>
Expenses and Losses								
Programs:								
Membership growth and education	1,296,925	279,743	1,314,154	-	-	-	-	2,890,822
Communications	1,092,472	40,548	195,064	-	-	-	-	1,328,084
Corporate relations and branded programs	279,281	-	-	-	-	-	-	279,281
Service Leadership Programs	1,496,622	-	-	-	-	-	(803,486)	693,136
Global Services	994,508	-	-	-	-	-	-	994,508
Merchandise, including cost of sales	1,794,230	-	-	-	-	-	-	1,794,230
Magazine	1,327,938	5,154	157,828	-	-	-	-	1,490,920
International convention	1,605,476	64,225	374,928	-	-	-	-	2,044,629
Liability insurance	1,349,481	-	-	-	-	-	-	1,349,481
Grants, programs and education	500,732	29,096	128,212	941,388	2,723,914	3,665,302	(596,283)	3,727,059
Total program services	<u>11,737,665</u>	<u>418,766</u>	<u>2,170,186</u>	<u>941,388</u>	<u>2,723,914</u>	<u>3,665,302</u>	<u>(1,399,769)</u>	<u>16,592,150</u>
General and administrative	2,764,712	107,709	437,436	688,565	340,455	1,029,020	-	4,338,877
Membership services	699,620	54,284	676,626	-	-	-	-	1,430,530
Governance	1,688,551	-	-	-	-	-	-	1,688,551
Fundraising	-	-	-	376,053	2,916,519	3,292,572	-	3,292,572
Currency exchange, bad debt losses and other	160,333	-	-	11,255	297,554	308,809	-	469,142
Total expenses and losses	<u>17,050,881</u>	<u>580,759</u>	<u>3,284,248</u>	<u>2,017,261</u>	<u>6,278,442</u>	<u>8,295,703</u>	<u>(1,399,769)</u>	<u>27,811,822</u>
Change in Net Assets Before Other Changes	(613,419)	21,687	122,183	46,267	5,589,412	5,635,679	-	5,166,130
Realized and unrealized gains on investments	2,405,334	-	288,976	1,554,367	-	1,554,367	-	4,248,677
Change in value of annuities payable	-	-	-	61,641	-	61,641	-	61,641
Change in Net Assets	1,791,915	21,687	411,159	1,662,275	5,589,412	7,251,687	-	9,476,448
Net Assets, Beginning of Year	26,009,354	55,057	1,742,750	11,757,888	1,784,864	13,542,752	-	41,349,913
Net Assets, End of Year	<u>\$ 27,801,269</u>	<u>\$ 76,744</u>	<u>\$ 2,153,909</u>	<u>\$ 13,420,163</u>	<u>\$ 7,374,276</u>	<u>\$ 20,794,439</u>	<u>\$ -</u>	<u>\$ 50,826,361</u>