Kiwanis International

(Parent Organization Only)

Accountants' Report and Financial Statements

September 30, 2012 and 2011

Kiwanis International

(Parent Organization Only)

September 30, 2012 and 2011

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Kiwanis International
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Kiwanis International (Kiwanis) (parent 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 Kiwanis' 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 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 financial statements as a whole. The combining schedules by fund and schedules of operating expenses listed in the table of contents are presented for purposes of additional analysis and are 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

experience BKD

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Kiwanis International

(Parent Organization Only)

Statements of Financial Position
September 30, 2012 and 2011

Assets

	2012	2011
Cash and cash equivalents	$ 1,520,801	$ 1,177,799
Investments	22,494,040	20,155,781
Receivables	279,491	341,810
Advances to affiliates	822,168	1,253,949
Merchandise inventory	933,445	537,401
Prepaid expenses and other	716,704	685,672
Property and equipment, net	5,310,015	5,874,525
Total assets	$ 32,076,664	$ 30,026,937

Liabilities

Accounts payable and accrued expenses	$ 1,827,272	$ 1,681,605
Accounts payable - affiliates	222,264	120,469
Funds invested for Key Club International	1,309,629	1,003,440
Liability insurance accrual	875,201	1,060,733
Other liabilities	41,029	151,336
Total liabilities	4,275,395	4,017,583

Net Assets - Unrestricted

Operating/Service Leadership Programs (SLP)	10,444,980	9,037,967
Magazine	3,562,438	3,525,172
International convention	(1,571,584)	(1,285,869)
Liability insurance	10,043,927	9,410,576
Property	5,321,508	5,321,508
Total unrestricted net assets	27,801,269	26,009,354
Total liabilities and net assets	$ 32,076,664	$ 30,026,937

Kiwanis International

(Parent Organization Only)

Statements of Activities
Years Ended September 30, 2012 and 2011

	2012	2011
Revenue, Gains and Other Support		
Membership dues and fees	$ 9,290,623	$ 9,449,118
Merchandise sales	1,700,276	1,788,901
Magazine subscription fees	1,216,638	1,259,854
Convention fees	1,240,443	962,210
Liability insurance fees	1,916,787	1,982,250
Advertising	80,287	179,553
Investment income, net of fees of $137,564 and $143,501	232,849	369,073
Service Leadership Programs	264,296	276,354
Sponsorship income	132,159	-
Grants	124,088	114,140
Other	239,016	194,367
Total revenue, gains and other support	16,437,462	16,575,820
Expenses		
Membership services, growth and education	1,898,413	2,432,270
Communications	1,038,776	818,908
Corporate relations and branded programs	265,554	15,116
Service Leadership Programs	1,423,062	1,332,969
Global services	945,627	919,165
Merchandise, including cost of sales	1,706,042	2,054,906
Operations	2,628,824	2,416,720
Governance	1,605,557	1,376,395
Magazine	1,262,668	1,217,560
International convention	1,526,563	1,830,964
Liability insurance	1,283,156	1,582,717
Kiwanis International Foundation	275,633	1,289,153
Eliminate Project	210,851	-
Currency exchange, bad debts and other	160,333	54,120
Depreciation and gains or losses from disposition	819,822	845,471
Total expenses	17,050,881	18,186,434
Change in Net Assets Before Realized and Unrealized Losses on Investments	(613,419)	(1,610,614)
Realized and Unrealized Gains (Losses) on Investments	2,405,334	(159,832)
Change in Net Assets	1,791,915	(1,770,446)
Net Assets, Beginning of Year	26,009,354	27,779,800
Net Assets, End of Year	$ 27,801,269	$ 26,009,354

Kiwanis International

(Parent Organization Only)

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

	2012	2011
Operating Activities		
Change in net assets	$ 1,791,915	$ (1,770,446)
Items not requiring (providing) cash		
Depreciation	822,483	845,471
Realized and unrealized (gains) losses on investments	(2,405,334)	159,832
Gain on disposal of property and equipment	(2,661)	-
Changes in		
Receivables	62,319	478,043
Merchandise inventory	(396,044)	241,659
Prepaid expenses and other	(31,032)	(47,568)
Accounts payable and accrued expenses	145,667	126,837
Liability insurance accrual	(185,532)	79,007
Other liabilities	(110,307)	(103,346)
Net cash provided by (used in) operating activities	(308,526)	9,489
Investing Activities		
Purchase of investments	(21,441,798)	(27,422,094)
Sale and maturities of investments	21,508,873	27,566,738
Purchase of property and equipment	(255,312)	(523,700)
Change in advances to affiliates	431,781	(736,420)
Change in accounts payable - affiliates	101,795	11,003
Net cash provided by (used in) investing activities	345,339	(1,104,473)
Financing Activity - change in funds invested for Key Club International	306,189	(6,797)
Net Increase (Decrease) in Cash and Cash Equivalents	343,002	(1,101,781)
Cash and Cash Equivalents, Beginning of Year	1,177,799	2,279,580
Cash and Cash Equivalents, End of Year	$ 1,520,801	$ 1,177,799

Kiwanis International

(Parent Organization Only)

Notes to Financial Statements
September 30, 2012 and 2011

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

General

Kiwanis International (Kiwanis) 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, Kiwanis was incorporated under the laws of the State of Indiana. Kiwanis International consists of all chartered Kiwanis clubs. Individuals are members of their local Kiwanis clubs. The financial statements are comprised of the accounts of the parent international organization only. The accounts of districts and member clubs are not part of the financial statements. Kiwanis International was established for the purpose of providing services to Kiwanis clubs. Kiwanis 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.

Kiwanis 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 clubs. Kiwanis' primary sources of revenue are membership dues and fees, magazine subscription fees, liability insurance fees, convention fees and merchandise sales.

These financial statements are those of Kiwanis International (parent organization) only and do not include the affiliated organizations of Circle K International, Key Club International and Kiwanis International Foundation. In accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-810, consolidated financial statements are also prepared for Kiwanis International and its affiliates, which include:

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

Kiwanis International

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Notes to Financial Statements
September 30, 2012 and 2011

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 Kiwanis International Foundation (Foundation) was created to form, promote, sponsor or assist related and qualified charitable, benevolent, educational, religious or scientific enterprises.

The parent-only financial statements should be read in conjunction with the Organization's 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.

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 $790,000 and $1,165,000, respectively.

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, less accumulated depreciation. 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:

	Years
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.

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.

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. Clubs may pay a one-time life membership fee for certain members. Life member fees are recognized as revenue when received.

Currency Exchange Transactions

Gains and losses relating to currency exchange transactions are recorded in the statements of activities as a component of currency exchange, bad debts and other.

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 exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, Kiwanis is subject to federal income tax on any unrelated business taxable income. 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 Note 11. Certain costs have been allocated among the program services and general and administrative services 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.

Note 2: Investments

Investments at September 30 consisted of the following:

	2012		2011	
Cash equivalents and money market funds	$ 1,125,669	5.0%	$ 1,067,667	5.3%
U.S. Government and related agency securities	4,172,881	18.6%	4,552,377	22.5%
Corporate bonds	2,677,748	11.9%	2,800,194	13.9%
International bonds	-	0.0%	227,972	1.1%
Common and preferred stocks:				
Small Cap	2,680,819	11.9%	2,050,790	10.2%
Large Cap	9,063,937	40.3%	7,268,274	36.1%
Emerging	940,757	4.2%	699,803	3.5%
International	1,832,229	8.1%	1,488,704	7.4%
Total common and preferred stocks	14,517,742	64.5%	11,507,571	57.2%
Total	$ 22,494,040	100.0%	$ 20,155,781	100.0%

The funds invested for Key Club International are held in Kiwanis' pooled investment fund. This fund is managed by professional investment managers and net investment income is allocated monthly to the participating organizations on a unitized basis. At September 30, 2012 and 2011, Kiwanis' assets comprised approximately 94% and 95% of the pooled investment fund.

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, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Note 3: 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 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. 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, corporate bonds and international bonds.

Kiwanis International
(Parent Organization Only)
Notes to Financial Statements
September 30, 2012 and 2011

The following tables present the fair value measurements of investments recognized in the accompanying 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:

		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)
September 30, 2012				
Investments				
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 assets	$ 22,494,040	$ 15,643,411	$ 6,850,629	$ -
September 30, 2011				
Investments				
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 assets	$ 20,155,781	$ 12,575,238	$ 7,580,543	$ -

Kiwanis International

(Parent Organization Only)

Notes to Financial Statements
September 30, 2012 and 2011

Note 4: Receivables

Kiwanis' receivables consisted of the following at September 30:

	2012	2011
Kiwanis clubs and members	$ 269,696	$ 293,608
Advertising and other	83,044	144,393
Advances to employees and volunteers	1,681	331
	354,421	438,332
Less: Allowance for doubtful accounts	(74,930)	(96,522)
Total	$ 279,491	$ 341,810

Note 5: Property and Equipment

Property and equipment at September 30 consists of:

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

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: Line of Credit

Kiwanis 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 ratios. At September 30, 2012, Kiwanis was in compliance with these requirements.

Note 8: Operating Leases

Kiwanis rents various items of equipment and office space under long-term noncancellable operating leases, which expire at various dates through January 21, 2018. Rental expense for these leases included in the 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		42,735
	$	335,906

Note 9: Employee Benefit Plans

Kiwanis 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). Kiwanis 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 10: Transactions With Affiliates

Kiwanis International shares office facilities and staff with Circle K International, Key Club International and the Kiwanis International Foundation. Expenses paid by Kiwanis International on behalf of Circle K, Key Club and the Foundation for office facilities, staff, and other services are partially reimbursed by the affiliated organizations in accordance with recommendations as adopted by the Kiwanis International Board of Trustees.

Receivables from Circle K, Key Club, the Foundation and other related affiliates consist primarily of expenses paid by Kiwanis International on behalf of the related affiliates not yet reimbursed.

Kiwanis' advances to affiliates at September 30, 2012 and 2011, were as follows:

	2012	2011
Circle K International	$ 3,580	$ 104,735
Key Club International	320,072	(60,527)
Kiwanis International Foundation	498,516	1,160,997
Kiwanis International - European Federation	-	48,744
	$ 822,168	$ 1,253,949

Kiwanis' accounts payable to affiliates at September 30, 2012 and 2011, were as follows:

	2012	2011
Kiwanis International Foundation	$ 110,000	$ 75,000
Districts and other	112,264	45,469
	$ 222,264	$ 120,469

Kiwanis International Foundation provided grants to Kiwanis for the years ended September 30, 2012 and 2011 as follows:

	2012	2011
Service Leadership Program	$ 124,088	$ 114,140

The subsidies and grants provided by Kiwanis for the years ended September 30, 2012 and 2011 for affiliated organizations and programs were as follows:

	2012	2011
Kiwanis International Foundation - Eliminate Project	$ -	$ 1,000,000
Kiwanis International Foundation	275,633	289,153
Circle K International	282,054	248,521
Key Club International	123,911	119,176
Builders Club	45,836	43,404
K-Kids	101,685	113,157
Key Leader	250,000	480,532
	$ 1,079,119	$ 2,293,943

Builders Club, K-Kids and Key Leader are Kiwanis-sponsored programs that were transferred to Key Club International effective October 1, 2010.

Interest is charged to Circle K and Key Club on amounts owed to Kiwanis International and aggregated $0 and $610 for the years ended September 30, 2012 and 2011, respectively.

During 2011, Kiwanis established a $3 million line of credit for Kiwanis International Foundation. The borrowings on the line will bear interest at 3% and matures December 31, 2015. There were no borrowings on this line of credit by the Foundation at September 30, 2012.

Note 11: Functional Expenses

The following represents a functional allocation of Kiwanis' expenses by program and supporting services for the years ended September 30, 2012 and 2011. For purposes of this presentation, depreciation expense has been allocated to various program services and general and administrative categories.

	2012	2011
Program Services		
Membership growth and education	$ 1,296,925	$ 1,834,789
Communications	1,092,472	858,959
Corporate relations and branded programs	279,281	15,855
Service Leadership Program	1,496,622	1,398,162
Global services	994,508	964,120
Merchandise, including cost of sales	1,794,230	2,155,408
Magazine	1,327,938	1,277,113
International convention	1,605,476	1,920,512
Liability insurance	1,349,481	1,660,124
Kiwanis International Foundation	289,881	1,352,203
Eliminate Project	210,851	-
	11,737,665	13,437,245
General and administrative		
Operations	2,764,712	2,534,915
Governance	1,688,551	1,443,715
Membership services	699,620	716,439
Currency exchange, bad debts and other	160,333	54,120
	5,313,216	4,749,189
	$ 17,050,881	$ 18,186,434

Note 12: 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

Kiwanis 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 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 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 and merchandise sales, constraints on liquidity and difficulty obtaining financing. The 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 financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for receivables that could negatively impact Kiwanis's ability to meet debt covenants or maintain sufficient liquidity.

Note 13: 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.

Supplemental Information

Kiwanis International

(Parent Organization Only)

Combining Schedule by Fund - Statements of Financial Position Information
September 30, 2012
(With Comparative Totals for 2011)

	2012						
	Operating/ SLP Fund	Magazine Fund	International Convention Fund	Liability Insurance Fund	Property Fund	Total	2011 Total
Assets							
Cash and cash equivalents	$ 1,520,801	$ -	$ -	$ -	$ -	$ 1,520,801	$ 1,177,799
Investments	9,889,449	3,428,900	(1,602,458)	10,766,656	11,493	22,494,040	20,155,781
Receivables	233,210	17,641	26,309	2,331	-	279,491	341,810
Advances to affiliates	822,168	-	-	-	-	822,168	1,253,949
Merchandise inventory	933,445	-	-	-	-	933,445	537,401
Prepaid expenses and other	438,408	115,900	12,255	150,141	-	716,704	685,672
Property and equipment, net	-	-	-	-	5,310,015	5,310,015	5,874,525
Total assets	$ 13,837,481	$ 3,562,441	$ (1,563,894)	$ 10,919,128	$ 5,321,508	$ 32,076,664	$ 30,026,937
Liabilities							
Accounts payable and accrued expenses	$ 1,827,272	$ -	$ -	$ -	$ -	$ 1,827,272	$ 1,681,605
Accounts payable - affiliates	222,264	-	-	-	-	222,264	120,469
Funds invested for Key Club International	1,309,629	-	-	-	-	1,309,629	1,003,440
Liability insurance accrual	-	-	-	875,201	-	875,201	1,060,733
Other liabilities	33,336	3	7,690	-	-	41,029	151,336
Total liabilities	3,392,501	3	7,690	875,201	-	4,275,395	4,017,583
Net Assets							
Unrestricted net assets	10,444,980	3,562,438	(1,571,584)	10,043,927	5,321,508	27,801,269	26,009,354
Total liabilities and net assets	$ 13,837,481	$ 3,562,441	$ (1,563,894)	$ 10,919,128	$ 5,321,508	$ 32,076,664	$ 30,026,937

Kiwanis International

(Parent Organization Only)

Combining Schedule by Fund - Statements of Activities Information
Year Ended September 30, 2012
(With Comparative Totals for 2011)

	2012						
	Operating/ SLP Fund	Magazine Fund	International Convention Fund	Liability Insurance Fund	Property Fund	Total	2011 Total
Revenue, Gains and Other Support							
Membership dues and fees	$ 9,290,623	$ -	$ -	$ -	$ -	$ 9,290,623	$ 9,449,118
Merchandise sales	1,700,276	-	-	-	-	1,700,276	1,788,901
Magazine subscription fees	-	1,216,638	-	-	-	1,216,638	1,259,854
Convention fees	-	-	1,240,443	-	-	1,240,443	962,210
Liability insurance fees	-	-	-	1,916,787	-	1,916,787	1,982,250
Advertising	-	80,287	-	-	-	80,287	179,553
Investment income, net	233,129	-	-	(280)	-	232,849	369,073
Service Leadership Program fees	264,296	-	-	-	-	264,296	276,354
Sponsorship income	131,754	-	405	-	-	132,159	-
Grants	124,088	-	-	-	-	124,088	114,140
Other	235,007	3,009	-	-	1,000	239,016	194,367
Total revenue, gains and other support	11,979,173	1,299,934	1,240,848	1,916,507	1,000	16,437,462	16,575,820
Expenses							
Membership services, growth and education	1,898,413	-	-	-	-	1,898,413	2,432,270
Communications	1,038,776	-	-	-	-	1,038,776	818,908
Corporate relations and branded programs	265,554	-	-	-		265,554	15,116
Service Leadership Programs	1,423,062	-	-	-	-	1,423,062	1,332,969
Global services	945,627	-	-	-	-	945,627	919,165
Merchandise, including cost of sales	1,706,042	-	-	-	-	1,706,042	2,054,906
Operations	2,628,824	-	-	-	-	2,628,824	2,416,720
Governance	1,605,557	-	-	-	-	1,605,557	1,376,395
Magazine	-	1,262,668	-	-	-	1,262,668	1,217,560
International convention	-	-	1,526,563	-	-	1,526,563	1,830,964
Liability insurance	-	-	-	1,283,156	-	1,283,156	1,582,717
Kiwanis International Foundation	275,633	-	-	-	-	275,633	1,289,153
Eliminate Project	210,851	-	-	-	-	210,851	-
Currency exchange, bad debts and other	160,333	-	-	-	-	160,333	54,120
Depreciation and gains or losses from disposition	-	-	-	-	819,822	819,822	845,471
Total expenses	12,158,672	1,262,668	1,526,563	1,283,156	819,822	17,050,881	18,186,434
Change in Net Assets Before Realized and Unrealized Gains (Losses) on Investments and Fund Transfers	(179,499)	37,266	(285,715)	633,351	(818,822)	(613,419)	(1,610,614)
Realized and Unrealized Gains (Losses) on Investments	2,405,334	-	-	-	-	2,405,334	(159,832)
Fund Transfers	(818,822)	-	-	-	818,822	-	-
Change in Net Assets	1,407,013	37,266	(285,715)	633,351	-	1,791,915	(1,770,446)
Net Assets, Beginning of Year	9,037,967	3,525,172	(1,285,869)	9,410,576	5,321,508	26,009,354	27,779,800
Net Assets, End of Year	$ 10,444,980	$ 3,562,438	$ (1,571,584)	$ 10,043,927	$ 5,321,508	$ 27,801,269	$ 26,009,354

Kiwanis International

(Parent Organization Only)

Schedules of Operating Expenses
Years Ended September 30, 2012 and 2011

	2012	2011
Membership Services, Growth and Education		
Education and growth	$ 1,233,180	$ 1,749,237
Membership services	665,233	683,033
Total Membership Services, Growth and Education	$ 1,898,413	$ 2,432,270
Service Leadership Programs		
Kiwanis programs	$ 619,576	$ 328,179
Circle K International	282,054	248,521
Key Club International	521,432	756,269
Total Service Leadership Programs	$ 1,423,062	$ 1,332,969
Global Services		
Europe	$ 687,574	$ 639,937
Asia-Pacific	258,053	279,228
Total Global Services	$ 945,627	$ 919,165
Merchandise		
Cost of sales	$ 1,297,646	$ 1,372,718
Retail operations department	408,396	682,188
Total Merchandise	$ 1,706,042	$ 2,054,906
Operations		
Building services and human services	$ 585,140	$ 604,254
Information technology	1,026,143	923,993
Finance	677,471	654,767
Meetings	340,070	233,706
Total Operations	$ 2,628,824	$ 2,416,720
Governance		
Board and executive services	$ 1,378,962	$ 1,376,395
International Council	226,595	-
Total Governance	$ 1,605,557	$ 1,376,395
Magazine		
Magazine	$ 1,141,905	$ 1,048,090
Advertising	120,763	169,470
Total Magazine	$ 1,262,668	$ 1,217,560