

Kiwanis Foundation of New England, Inc.
Comparative Financial Statements As Of
September 30, 2012 and 2011



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Independent Accountant's Review Report

To the Board of Directors
Kiwanis Foundation of New England, Inc.
Framingham, Massachusetts 01704

We have reviewed the accompanying statements of financial position of Kiwanis Foundation of New England, Inc. (a nonprofit organization) as of September 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Foundation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

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

Based on our review we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying schedule is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

QRGA, LLP

QRGA, LLP
Certified Public Accountants
January 10, 2013

**KIWANIS FOUNDATION OF NEW ENGLAND, INC.
COMPARATIVE STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012 AND 2011**

ASSETS

	2012	2011
Current assets:		
Cash	\$ 75,179	\$ 55,614
Accounts receivable	1,690	-
Prepaid items	605	605
Total current assets	77,474	56,219
Property, plant and equipment:		
Office equipment	3,651	7,157
Less accumulated depreciation	(3,651)	(7,157)
Total property, plant and equipment	-	-
Other assets:		
Investments	3,930,160	3,327,917
TOTAL ASSETS	\$ 4,007,634	\$ 3,384,136

LIABILITIES & NET ASSETS

Current liabilities:		
Grants payable	\$ 70,337	\$ 50,000
Accrued rent	450	-
Total current liabilities	70,787	50,000
Net assets:		
Unrestricted	(152,770)	(755,481)
Permanently restricted	4,089,617	4,089,617
Total net assets	3,936,847	3,334,136
TOTAL LIABILITIES & NET ASSETS	\$ 4,007,634	\$ 3,384,136

See accompanying notes and independent accountant's review report.

KIWANIS FOUNDATION OF NEW ENGLAND, INC.
COMPARATIVE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2012 TOTAL</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 73,117	\$ -	\$ 73,117
Investment income	91,703	-	91,703
Realized gains on investments	60,352	-	60,352
Unrealized gains on investments	483,699	-	483,699
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	708,871	-	708,871
EXPENSES AND LOSSES:			
Program services:			
Scholarships, awards, donations	52,647	-	52,647
Total program services	52,647	-	52,647
Supporting services:			
Management and general	46,878	-	46,878
Fundraising	6,635	-	6,635
Total supporting services	53,513	-	53,513
TOTAL EXPENSES	106,160	-	106,160
CHANGE IN NET ASSETS	602,711	-	602,711
NET ASSETS:			
Beginning of year	(755,481)	4,089,617	3,334,136
End of year	\$ (152,770)	\$ 4,089,617	\$ 3,936,847

See accompanying notes and independent accountant's review report.

**KIWANIS FOUNDATION OF NEW ENGLAND, INC.
COMPARATIVE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2011 TOTAL</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 74,593	\$ 181,995	\$ 256,588
Investment income	2,781	93,885	96,666
Realized gains on investments	3,193	105,152	108,345
Unrealized (losses) on investments	(3,484)	(133,146)	(136,630)
Satisfaction of donor restrictions	39,340	(39,340)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	116,423	208,546	324,969
EXPENSES AND LOSSES:			
Program services:			
Scholarships, awards, donations	1,000	-	1,000
Total program services	1,000	-	1,000
Supporting services			
Management and general	19,530	26,551	46,081
Fundraising	8,594	-	8,594
Total supporting services	28,124	26,551	54,675
TOTAL EXPENSES	29,124	26,551	55,675
CHANGE IN NET ASSETS	87,299	181,995	269,294
NET ASSETS:			
Beginning of year	(833,152)	3,907,622	3,074,470
Add - Fund contributions			
Less - Fund distributions	(9,630)	-	(9,630)
End of year	<u>\$ (755,483)</u>	<u>\$ 4,089,617</u>	<u>\$ 3,334,134</u>

See accompanying notes and independent accountant's review report.

**KIWANIS FOUNDATION OF NEW ENGLAND, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 602,711	\$ 269,296
Adjustments to reconcile net assets to net cash provided by operating activities:		
Net realized (gains) on investments	(60,352)	(108,341)
Net unrealized (gains)/losses on investments	(483,699)	136,626
(Increase)/Decrease in:		
Accounts receivable	(1,690)	-
Increase/(Decrease) in:		
Grants payable	20,337	(50,000)
Accrued rent	450	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	77,757	247,581
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	884,208	1,304,420
Purchase of investments	(942,400)	(1,510,298)
NET CASH (USED) BY INVESTING ACTIVITIES:	(58,192)	(205,878)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Fund distributions	-	(9,630)
NET CASH (USED) BY FINANCING ACTIVITIES:	-	(9,630)
INCREASE IN CASH AND CASH EQUIVALENTS	19,565	32,073
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	55,614	23,541
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 75,179	\$ 55,614

See accompanying notes and independent accountant's review report.

**KIWANIS FOUNDATION OF NEW ENGLAND, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

NOTE 1 - NATURE OF OPERATIONS

The Kiwanis Foundation of New England, Inc. (the "Foundation") was incorporated in 1953. The Foundation was established as a 501(c)(3) nonprofit charitable foundation to accept gifts of money and/or property and provide grants and gifts for charitable needs. Every member of a Kiwanis Club in good standing in the New England District is a member of the Foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.
- Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Investments that are short-term (generally with original maturities of three months or less) and highly liquid are considered cash equivalents. The Foundation maintains bank accounts at local banks insured by the Federal Deposit Insurance Corporation. At various times during the year, the account balances may exceed the federally insured limits.

Investments and Investment Income

The Foundation's investments in marketable securities with readily determinable fair values are measured at fair values, as established by major securities markets, in the statement of financial position. Purchases and sales of securities are recorded on trade dates, and realized gains and (losses) are determined on the basis of the average cost of securities sold. Further, changes in the fair value of marketable securities are reported as unrealized gains (losses) in the statement of activities.

KIWANIS FOUNDATION OF NEW ENGLAND, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Investment Income (continued)

Investment income from unrestricted investments is reported as unrestricted revenue. Investment income and gains (losses) on investments of permanently restricted net assets are reported as increases (decreases) in temporarily restricted net assets unless permanently restricted by the donor, in which case they are recorded as increases (decreases) in permanently restricted net assets. Investment income and net gains of permanently restricted net assets classified as temporarily restricted remain in temporarily restricted net assets until appropriated by the Board of Trustees and expended. Investment interest and gains (losses) on investments of temporarily restricted net assets are reported as increases (decreases) in temporarily restricted net assets.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation or amortizations computed on the straight line or modified accelerated method, and are depreciated over their estimated useful lives of five to seven years. Expenditures for major renewals and betterments are capitalized while expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

Contributions

Contributions are recorded at their fair value as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Contributions of assets other than cash are reported at their estimated fair value. Any contributions whose restrictions are met in the same year are reported as unrestricted support.

Fair Value Measurement

The Foundation values its investments in accordance with the FASB ASC 820, *Fair Value Measurement and Disclosure* (ASC 820) which defines fair value as the price that the Foundation would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 establishes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments in inactive markets, interest rates, prepayment speeds, credit risk, etc)
- Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments)

**KIWANIS FOUNDATION OF NEW ENGLAND, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

Reclassification

Certain reclassifications were made to prior year amounts in order to conform to the current year presentation.

NOTE 3 – INVESTMENTS

The Foundation utilized the following valuation methods and assumptions in estimating its fair value disclosure for investments. There have been no changes in the methodologies used at September 30, 2012 and September 30, 2011.

- Mutual Funds: The fair values of investments in mutual funds are based on the net asset value (NAV) of the shares, which are based on quoted market prices (Level 1)
- Common Stocks: Valued using market quotations or prices obtained from independent pricing sources (Level 1)

The estimated fair values of the Foundation's financial instruments at September 30, 2012 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market Funds	\$ 147,426	\$ -	\$ -	\$ 147,426
Domestic Equity Mutual Funds	71,355	-	-	71,355
International Equity Mutual Funds	7,143	-	-	7,143
Closed End Equity Mutual Funds	969,422	-	-	969,422
Common Equity Securities	1,391,788	-	-	1,391,788
Taxable Fixed Income Funds	934,222	-	-	934,222
Corporate & Foreign Bonds	210,913	-	-	210,913
U.S. Treasury Obligations	86,725	-	-	86,725
U.S. Government Agencies	54,917	-	-	54,917
Municipal Obligations	<u>56,249</u>	<u>-</u>	<u>-</u>	<u>56,249</u>
Total Investments	<u>\$ 3,930,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,930,160</u>

**KIWANIS FOUNDATION OF NEW ENGLAND, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

NOTE 3 – INVESTMENTS (continued)

The estimated fair values of the Foundation's financial instruments at September 30, 2011 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market Funds	\$ 114,977	\$ -	\$ -	\$ 114,977
Domestic Equity Mutual Funds	66,159	-	-	66,159
International Equity Mutual Funds	7,307	-	-	7,307
Closed End Equity Mutual Funds	773,153	-	-	773,153
Common Equity Securities	1,088,681	-	-	1,088,681
Taxable Fixed Income Funds	879,710	-	-	879,710
Corporate & Foreign Bonds	198,910	-	-	198,910
U.S. Treasury Obligations	88,506	-	-	88,506
U.S. Government Agencies	56,210	-	-	56,210
Municipal Obligations	<u>54,304</u>	<u>-</u>	<u>-</u>	<u>54,304</u>
Total Investments	<u>\$ 3,327,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,327,917</u>

The following schedule summarizes the investments return and its classification in the statement of activities for the year ended September 30, 2012:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Realized net gains	\$ 60,352	\$ -	\$ 60,352
Unrealized net gains	483,699	-	483,699
Interest and dividends	<u>91,703</u>	<u>-</u>	<u>91,703</u>
Total return	<u>\$ 635,754</u>	<u>\$ -</u>	<u>\$ 635,754</u>

NOTE 4 - CONTRIBUTED SERVICES

A substantial number of unpaid volunteers, including board directors, have made significant contributions of their time to develop the Foundation's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

NOTE 5 - COMMITMENTS

The Foundation has pledged to raise a \$3,000,000 endowment fund through the Kiwanis annual giving drive. Upon completion of the campaign, this endowment fund will be used as follows:

\$3,000,000 entrusted to Friends Fund of the Foundation, a restricted endowment account for the benefit of the Kiwanis Pediatric Trauma Institute. The income from this endowment will be applied to a Foundation grant to be conveyed to the Institute, through the Medical Center, at least annually

KIWANIS FOUNDATION OF NEW ENGLAND, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 6 - FUND GROUPS

Fund groups of the Foundation include unrestricted funds, which represent the portion of expendable funds that are available for support of the Foundation and earnings on various endowment funds and restricted funds, which represent endowment funds and funds that are restricted by the donors.

For the year ending September 30, 2012, these funds include:

Azad Strazzulla Memorial Fund: Represents funds that are subject to restriction of the Azad Strazzulla Memorial Fund instrument requiring in perpetuity that the principal be invested and the income be used for scholarships to students who attend secondary schools located within the geographical area known as Division 13.

White Endowment Fund: Represents funds that are subject to restriction of the White gift instrument requiring in perpetuity that the principal be invested and the income be used for a scholarship to a Gloucester High Foundation student.

Kiwanis Charities Fund: Gifts to this endowment fund include all undesignated donations and all gifts for the charities fund.

District Sponsored Youth Scholarship Fund: The New England District of Kiwanis made a gift to provide scholarship assistance for its sponsored youth organizations. Annually, the District recommends candidates from Key Club and Circle-K for scholarships.

Friends Fund: The income on donations to the Friends Fund is donated annually for Kiwanis support of the Kiwanis Pediatric Trauma Institute. Included in the Friends Fund is the Campaign for Children. The Campaign for Children was a drive to establish a major endowment fund whose income will permanently support K.P.T.I.'s program of patient care, public education and medical research.

General Reinsurance Fund: Represents funds used to support the Kiwanis Pediatric Trauma Institute through support of a trauma fellow to provide research in pediatric trauma and by paying for lab expenses at the Institute. The principal is to be invested in perpetuity and the income is to be used for the stated purposes.

Chester Bogushas Circle K Scholarship Fund: The interest and principal, if necessary, are to be used for a \$1,000 scholarship for a student in post-secondary education who is a member of the New England District of Circle K. The Kiwanis Club of Waterbury, Connecticut will make the selection and submit it to the Foundation for approval.

Natick Club Endowment Fund: Represents funds that are subject to restriction of the Natick Club gift instrument requiring in perpetuity that the principal be invested and the income be used for a scholarship to a Natick resident enrolled in a post-secondary educational program.

Randolph Club Endowment Fund: Represents funds that are subject to restriction of the Randolph Club gift instrument requiring in perpetuity that the principal be invested and the income be used for a scholarship to a Randolph resident enrolled in a post-secondary educational program.

KIWANIS FOUNDATION OF NEW ENGLAND, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 6 - FUND GROUPS (continued)

Hap Gerrish Pediatric Trauma Registry Fund: Represents funds used for an internet web site that will be accessible worldwide by rural hospitals and pediatricians, researchers and anyone else in need of information on how to care for pediatric trauma patients.

Fund balances at September 30, 2012 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Kiwanis Charities Fund	\$ (199,209)	\$ 145,500
Friends Fund	(532,811)	2,146,006
General Reinsurance Fund – Fellowship	302,378	750,000
General Reinsurance Fund – Lab	257,581	650,000
N.E. Disaster Fund	1,951	20,000
District Sponsored Youth Scholarship	3,036	-
White Endowment Fund	24,366	24,000
Azad Strazzulla Memorial Fund	28,703	26,025
Chester Bogushas Circle K Fund	(3,922)	11,000
Hartford Hospital PTC Fund	2,964	-
Bay State Medical Center PTC Fund	3,491	-
Rhode Island Hospital PTC Fund	15,735	14,314
Kiwanis Club – Natick	(2,277)	85,000
Kiwanis Club – Randolph	(13,607)	32,086
Club Escrow	15,313	2,691
N.E. District Key Club Project Fund	23,774	-
KAPTC	4,783	1,000
New Charities	2,100	-
EMMC	3,391	-
911 Fund	14,182	-
Hap Gerrish Registry	28,401	-
Strive for Five	25,770	-
Board Restricted PR Project	595	-
Perry Henderson Foundation	25,544	181,995
KPTO	24,613	-
General Operations Fund	<u>(209,615)</u>	<u>-</u>
Total	<u>\$ (152,770)</u>	<u>\$ 4,089,617</u>

NOTE 7 – OPERATING LEASES

The Foundation leased office space under a one year operating agreement expiring September 30, 2012, with an option to renew. The agreement required monthly payments of \$450 per month. Rent expense for the operating lease totaled \$5,400 for each of the years ending September 30, 2012 and 2011.

KIWANIS FOUNDATION OF NEW ENGLAND, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 8 - INCOME TAXES

The Foundation is incorporated under the not-for-profit laws of the Commonwealth of Massachusetts. The Foundation is held exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore it is exempt from income tax except that from unrelated sales of goods of which there were none. The Foundation is in compliance with FASB ASC 740 relating to the accounting for uncertainty in income taxes. As required by this topic, the Foundation has evaluated its tax positions, applying a "More Likely Than Not" standard, and believes that there would be no material changes to the results of its operations or financial position as a result of an audit by the applicable taxing authorities, federal or state.

The Foundation has filed all of its known and required returns in a timely manner including, as permitted, allowed extensions. Accordingly, the Foundation believes fiscal tax years prior to 2008, following administrative practice of the taxing authorities, are no longer subject to review.

NOTE 9 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through the date of this report, the date which the financial statements were made available to be issued.

SUPPLEMENTARY INFORMATION

**KIWANIS FOUNDATION OF NEW ENGLAND, INC.
 COMPARATIVE SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
 FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Accounting fees	\$ 5,000	\$ 5,000
Bank Fees	88	113
Dues and subscriptions	795	-
Filing fees	144	70
Insurance	3,072	3,071
Investment fees	24,329	27,328
Meetings	526	523
Postage	1,100	332
Printing	4,361	378
Rent	5,400	5,400
Sports	-	1,086
Supplies	354	818
Telephone	1,518	1,736
Utilities	191	224
Total general and administrative expenses	<u>\$ 46,878</u>	<u>\$ 46,079</u>

See independent accountant's review report.