

**CAL-NEV-HA KIWIN'S DISTRICT OF KEY CLUB INTERNATIONAL,
CALI-NEV-HA DISTRICT OF KEY CLUB INTERNATIONAL AND
CAL-NEV-HA DISTRICT OF CIRCLE K INTERNATIONAL
(California Nonprofit Organizations)**

**Financial Statements
and
Independent Auditor's Report**

**For the Year Ended
June 30, 2017**

Tentative Report
for Discussion Purposes Only -
Subject to Revision

**CAL-NEV-HA KIWIN'S DISTRICT OF KEY CLUB INTERNATIONAL,
CALI-NEV-HA DISTRICT OF KEY CLUB INTERNATIONAL AND
CAL-NEV-HA DISTRICT OF CIRCLE K INTERNATIONAL
(California Nonprofit Organizations)**

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June 30, 2017**

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Tentative Report
for Discussion Purposes Only -
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cal-Nev-Ha KIWIN'S District of Key Club International,
Cali-Nev-Ha District of Key Club International and
Cal-Nev-Ha District of Circle K International
Rancho Cucamonga, CA

We have audited the accompanying financial statements of Cal-Nev-Ha KIWIN'S District of Key Club International, Cali-Nev-Ha District of Key Club International and Cal-Nev-Ha District of Circle K International ("Service Leadership Programs" or the "Sponsored Organizations"), California nonprofit organizations, which comprise the statements of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Cal-Nev-Ha KIWIN'S District of Key Club International,
Cali-Nev-Ha District of Key Club International and
Cal-Nev-Ha District of Circle K International

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the Sponsored Organizations as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP
Glendora, CA
January 26, 2018

Tentative Report
for Discussion Purposes Only
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**CAL-NEV-HA KIWIN'S DISTRICT OF KEY CLUB INTERNATIONAL,
CALI-NEV-HA DISTRICT OF KEY CLUB INTERNATIONAL AND
CAL-NEV-HA DISTRICT OF CIRCLE K INTERNATIONAL
(California Nonprofit Organizations)**

**STATEMENTS OF FINANCIAL POSITION
June 30, 2017**

| | <u>KIWIN'S</u> | <u>Key Club</u> | <u>Circle K</u> |
|--|----------------|-----------------|-----------------|
| <u>ASSETS</u> | | | |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | \$ 29,749 | \$ 176,227 | \$ 56,575 |
| Investments | - | 100,307 | - |
| Accounts Receivable | 700 | - | - |
| Prepaid Expenses and Other Assets | - | 16,272 | 4,237 |
| Inventory | - | 750 | 917 |
| Total Current Assets | 30,449 | 293,556 | 61,729 |
| PROPERTY AND EQUIPMENT, NET | - | 2,784 | - |
| Total Assets | \$ 30,449 | \$ 296,340 | \$ 61,729 |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | \$ 7,621 | \$ 39,343 | \$ 15,924 |
| Deferred Revenue | - | 34,750 | 493 |
| Total Liabilities | 7,621 | 74,093 | 16,417 |
| NET ASSETS | | | |
| Unrestricted | 21,028 | 222,247 | 45,312 |
| Temporarily Restricted | 1,800 | - | - |
| Total Net Assets | 22,828 | 222,247 | 45,312 |
| Total Liabilities and Net Assets | \$ 30,449 | \$ 296,340 | \$ 61,729 |

The accompanying notes are an integral part of these financial statements.

**CAL-NEV-HA KIWIN'S DISTRICT OF KEY CLUB INTERNATIONAL,
CALI-NEV-HA DISTRICT OF KEY CLUB INTERNATIONAL AND
CAL-NEV-HA DISTRICT OF CIRCLE K INTERNATIONAL
(California Nonprofit Organizations)**

**STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2017**

| | <u>KIWIN'S</u> | <u>Key Club</u> | <u>Circle K</u> |
|---|-------------------------|--------------------------|-------------------------|
| UNRESTRICTED NET ASSETS | | | |
| REVENUE | | | |
| Member Dues | \$ 15,882 | \$ 191,537 | \$ 27,016 |
| District Convention | 80,627 | 481,563 | 188,249 |
| International Convention | - | - | 60 |
| Fall Rallies | 34,099 | 123,806 | - |
| Contributions | - | 116,029 | - |
| Fundraising | 1,114 | 6,568 | - |
| District Project | 6,113 | - | 103,099 |
| Special Events | 735 | 5,221 | 4,046 |
| Net Unrealized Gain on Investment | - | 3,298 | - |
| Interest Income | 118 | 3,295 | 209 |
| Total Revenue | <u>138,688</u> | <u>931,317</u> | <u>322,679</u> |
| Net Assets Released From Restriction | <u>500</u> | <u>-</u> | <u>-</u> |
| Total Unrestricted Revenues, Gains, and Other Support | <u>139,188</u> | <u>931,317</u> | <u>322,679</u> |
| EXPENSES | | | |
| Program Expense: | | | |
| District Convention | 85,173 | 487,036 | 177,883 |
| Fall Rallies | 14,187 | 57,456 | - |
| Contributions to: | | | |
| Cal-Nev-Ha Foundation | 20,685 | 184,627 | 25,756 |
| Scholarship | 7,028 | 37,630 | 15,363 |
| Eliminate Project | 341 | - | 26,485 |
| Committee Expense | 4,336 | 15,159 | 2,965 |
| Depreciation Expense | - | 841 | - |
| District Project | - | - | 49,937 |
| Officer's Expenses | 2,844 | 38,672 | 14,726 |
| Fundraising | - | 8,748 | - |
| General and Administrative | 7,767 | 105,335 | 7,308 |
| Total Expenses | <u>142,361</u> | <u>935,504</u> | <u>320,423</u> |
| Change in Unrestricted Net Assets | <u>(3,173)</u> | <u>(4,187)</u> | <u>2,256</u> |
| TEMPORARILY RESTRICTED NET ASSETS | | | |
| Net assets released from restriction | <u>(500)</u> | <u>-</u> | <u>-</u> |
| Change in temporarily restricted net assets | <u>(500)</u> | <u>-</u> | <u>-</u> |
| CHANGE IN NET ASSETS | (3,673) | (4,187) | 2,256 |
| Nets Assets - Beginning of Year | <u>26,501</u> | <u>226,434</u> | <u>43,056</u> |
| NET ASSETS - END OF YEAR | <u>\$ 22,828</u> | <u>\$ 222,247</u> | <u>\$ 45,312</u> |

The accompanying notes are an integral part of these financial statements.

**CAL-NEV-HA KIWIN'S DISTRICT OF KEY CLUB INTERNATIONAL,
CALI-NEV-HA DISTRICT OF KEY CLUB INTERNATIONAL AND
CAL-NEV-HA DISTRICT OF CIRCLE K INTERNATIONAL
(California Nonprofit Organizations)**

**STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2017**

| | KIWIN'S | Key Club | Circle K |
|--|----------------|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Change in Net Assets | \$ (3,673) | \$ (4,187) | \$ 2,256 |
| Adjustments to reconcile change in net assets to net cash flows from Operating Activities: | | | |
| Depreciation | - | 841 | - |
| Unrealized Gain on Investment | - | (3,298) | - |
| Change in Operating Assets: | | | |
| Accounts Receivable | (700) | 5,923 | 2,222 |
| Prepaid Expenses and Other Assets | - | (4,132) | 2,872 |
| Inventories | - | (750) | 301 |
| Change in Operating Liabilities | | | |
| Accounts Payable and Accrued Liabilities | (1,410) | (14,841) | 1,207 |
| Deferred Revenue | - | 700 | 493 |
| Net Cash Flows from Operating Activities | (5,783) | (19,744) | 9,351 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of Property, Plant, and Equipment | | | |
| Investment Purchases | - | (2,622) | - |
| Net Cash Flows from Investing Activities | - | (2,622) | - |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (5,783) | (22,366) | 9,351 |
| Cash and Cash Equivalents - Beginning of Year | 35,532 | 198,593 | 47,224 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 29,749 | \$ 176,227 | \$ 56,575 |

The accompanying notes are an integral part of these financial statements.

**CAL-NEV-HA KIWIN'S DISTRICT OF KEY CLUB INTERNATIONAL,
CALI-NEV-HA DISTRICT OF KEY CLUB INTERNATIONAL AND
CAL-NEV-HA DISTRICT OF CIRCLE K INTERNATIONAL
(California Nonprofit Organizations)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1: ORGANIZATION

Cal-Nev-Ha KIWIN'S District of Key Club International, Cali-Nev-Ha District of Key Club International and Cal-Nev-Ha District of Circle K International are three separate entities that are governed by separate Boards of Trustees. Each of the three separate entities are supported by the revenues and activities from separate members. Each Sponsored Organization has no ownership or voting interests outside of the entity. Accordingly, consolidated financial statements have not been prepared.

Key Club International and KIWIN's are high school service organizations for students; and Circle K International is a collegiate service organization for college students. These groups are sponsored by California- Nevada-Hawaii District of Kiwanis International (the District) and are collectively referred to as the "Sponsored Organizations." The members of the Sponsored Organizations, like the members of the sponsoring district, are banded together for fellowship and service, working together for the betterment of campus and community.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents – The Sponsored Organizations define cash and cash equivalents as cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Receivables – Management believes that all receivables are fully collectible; therefore no provisions for uncollectible accounts were recorded.

Investments – Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities if they are material.

Inventory – Inventory is valued at the lower of cost (first-in, first-out basis) or market, and consists primarily of supplies such as recognition pins.

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful life of the asset.

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, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

**CAL-NEV-HA KIWIN'S DISTRICT OF KEY CLUB INTERNATIONAL,
CALI-NEV-HA DISTRICT OF KEY CLUB INTERNATIONAL AND
CAL-NEV-HA DISTRICT OF CIRCLE K INTERNATIONAL
(California Nonprofit Organizations)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

Net Asset Classes – The Sponsored Organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the Sponsored Organizations are defined as:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on general operations.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the Sponsored Organizations. The Sponsored Organizations do not currently have any permanently restricted net assets.

Contributed Services – No amounts have been reflected in the statements for contributed service inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Sponsored Organizations' program services.

Revenue Recognition – All items of support and revenue are recognized as income in the period received, unless restricted by the donor for a particular purpose. In those instances, net assets are released from restriction when the Sponsored Organizations have incurred expenses in compliance with the specific restrictions. Absent explicit donor stipulation about where the support and revenue are to be spent, the Sponsored Organizations report these items as unrestricted. The Sponsored Organizations collect fees from their members for travel, lodging, meals, and registration at conventions. Accordingly, the Sponsored Organizations pay the various transportation providers, hotels, speakers, etc. The receipts collected are recorded as deferred revenue and the expenses as prepaid until the event has occurred, at which time they are recognized.

Income Taxes – The Sponsored Organizations are non-profit organizations operating under the income tax exemption of the District. The District is exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(4) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Sponsored Organizations are included in the District's informational returns filed in the U.S. federal jurisdiction and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

**CAL-NEV-HA KIWIN'S DISTRICT OF KEY CLUB INTERNATIONAL,
CALI-NEV-HA DISTRICT OF KEY CLUB INTERNATIONAL AND
CAL-NEV-HA DISTRICT OF CIRCLE K INTERNATIONAL
(California Nonprofit Organizations)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Evaluation of Subsequent Events – The Sponsored Organizations have evaluated subsequent events through January 26, 2018, the date these financial statements were available to be issued.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Sponsored Organizations maintain cash balances held in banks which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The Sponsored Organizations have not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Sponsored Organizations capitalize all expenditures for property, plant and equipment in excess of \$1,000. Depreciation expense was \$841 for the year ended June 30, 2017.

The components of property, plant and equipment as of June 30, 2017 are as follows:

| | Beginning | | | Ending |
|--|------------------|------------------|--------------------|-----------------|
| | Balance | Additions | Retirements | Balance |
| Office equipment | \$ 12,516 | \$ - | \$ - | \$ 12,516 |
| Less accumulated depreciation and amortization | (8,891) | (841) | - | (9,732) |
| Property, plant and equipment, net | <u>\$ 3,625</u> | <u>\$ (841)</u> | <u>\$ -</u> | <u>\$ 2,784</u> |

**CAL-NEV-HA KIWIN'S DISTRICT OF KEY CLUB INTERNATIONAL,
CALI-NEV-HA DISTRICT OF KEY CLUB INTERNATIONAL AND
CAL-NEV-HA DISTRICT OF CIRCLE K INTERNATIONAL
(California Nonprofit Organizations)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 5: INVESTMENTS

The Sponsored Organizations determine the fair market values of investments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, 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.

The following provides a summary of the hierarchical levels used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the counter markets.
- 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.

Investments are measured at fair value on recurring basis and comprised of the following at June 30, 2017:

| | Fair Value | Cost |
|------------------------|------------|-----------|
| Mutual Funds (Level 1) | \$ 98,626 | \$ 91,505 |

Investment activity is comprised of the following:

| | |
|-------------------------|----------|
| Interest and dividends | \$ 3,295 |
| Unrealized gain | 3,298 |
| Net investment activity | \$ 6,593 |

**CAL-NEV-HA KIWIN'S DISTRICT OF KEY CLUB INTERNATIONAL,
CALI-NEV-HA DISTRICT OF KEY CLUB INTERNATIONAL AND
CAL-NEV-HA DISTRICT OF CIRCLE K INTERNATIONAL
(California Nonprofit Organizations)**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 6: RELATED PARTY TRANSACTIONS

The Cal-Nev-Ha Kiwanis District (the District) maintains and administers the accounting records for the Sponsored Organizations. Certain administration costs incurred by the District on behalf of the Sponsored Organizations, principally indirect overhead costs, are included in the financial records of the District. However, included in general and administrative expense in the accompanying statements of activities are the following reimbursements to the District:

| | | |
|------------------------|----|--------|
| KIWINS | \$ | 4,963 |
| Key Club International | \$ | 89,325 |
| Circle K International | \$ | 4,963 |

The Sponsored Organizations made contributions to the Kiwanis Cal-Nev-Ha Foundation (the Foundation), an affiliated organization for the purpose of providing scholarships to its members. Certain contributions are to support the pediatric trauma prevention program. Additional contributions for scholarships are set by policy whereby a portion of "excess net assets" over budgeted expenses for the following year are to be contributed to the Foundation for scholarships.

The contribution amount calculated as of each year-end has been treated as a contribution and a liability recognized as of the year-end. Contributions made to the Foundation were as follows:

| | <u>KIWIN'S</u> | <u>Key Club</u> | <u>Circle K</u> |
|--------------------------------|------------------|-------------------|------------------|
| Scholarship contributions | \$ 7,028 | \$ 37,630 | \$ 15,363 |
| Pediatric Trauma contributions | 14,147 | 184,627 | 25,756 |
| Total | <u>\$ 21,175</u> | <u>\$ 235,290</u> | <u>\$ 27,269</u> |

The Board of Trustees of California-Nevada-Hawaii District (CNH District) of Kiwanis International controls and is responsible for Service Leadership Programs; Circle K, Key Club, Builders Club, K Kids and Aktion Clubs; (SLP Clubs) within the CNH District. The policies of the CNH District established for the control of the SLP Clubs are subject to the provisions as set forth in the preamble to the policies of the CNH District.

The CNH District has final responsibility for the authority and the activities over the SLP Clubs within the CNH District.