MATHEWS-DICKEY BOYS' & GIRLS' CLUB

FINANCIAL STATEMENTS

Year Ended December 31, 2011 with Comparative Totals
for the Year Ended December 31, 2010

MHM®

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Mathews-Dickey Boys' & Girls' Club:

We have audited the statement of financial position of the Mathews-Dickey Boys' & Girls' Club as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year 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. The prior-year summarized comparative information has been derived from the 2010 financial statements and, in our report dated August 30, 2011, we expressed an unqualified opinion on those statements.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 Mathews-Dickey Boys' & Girls' Club as of December 31, 2011, and the results of its activities and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

St. Louis, Missouri
August 23, 2012

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 28,212	$ 152,055
Short-term investments	67,257	54,466
Pledges receivable, net	103,387	80,141
Receivable - United Way	439,729	446,425
Prepaid expenses and other	12,849	12,679
TOTAL CURRENT ASSETS	651,434	745,766
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	2,480,302	2,362,923
RESTRICTED CASH	4,367	159,541
INVESTMENTS	895,575	1,551,296
PLEDGES RECEIVABLE - LONG-TERM, NET	224,595	332,948
TOTAL ASSETS	$ 4,256,273	$ 5,152,474
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 113,431	$ 109,604
Bank overdrafts	58,285	20,044
Accrued expenses and other liabilities	126,019	153,077
TOTAL CURRENT LIABILITIES	297,735	282,725
NET ASSETS		
Unrestricted - Board designated	2,953,294	3,795,809
Temporarily restricted	877,244	945,940
Permanently restricted	128,000	128,000
TOTAL NET ASSETS	3,958,538	4,869,749
TOTAL LIABILITIES AND NET ASSETS	$ 4,256,273	$ 5,152,474

See Notes to Financial Statements.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2011 with Comparative Totals for the Year Ended December 31, 2010

	2011				2010
	Unrestricted-Board Designated	Temporarily Restricted	Permanently Restricted	Total	Total
PUBLIC SUPPORT:					
United Way	$ 11,658	$ 439,729	$ -	$ 451,387	$ 457,238
Contributions	535,346	-	-	535,346	796,336
In-kind donations	472,705	-	-	472,705	285,320
Banquets and special events	552,347	-	-	552,347	493,031
Memberships	43,080	-	-	43,080	31,945
United Way allocation released from restriction	446,425	(446,425)	-	-	-
Net assets released from restrictions	62,000	(62,000)	-	-	-
TOTAL PUBLIC SUPPORT	2,123,561	(68,696)	-	2,054,865	2,063,870
REVENUE:					
Grants	-	-	-	-	300,000
Registration fees	68,864	-	-	68,864	89,151
Net realized and unrealized gains (losses) on investments	(40,463)	-	-	(40,463)	125,418
Interest and dividends	40,563	-	-	40,563	39,701
Room rental	24,137	-	-	24,137	17,937
Other	19,770	-	-	19,770	30,603
TOTAL REVENUE	112,871	-	-	112,871	602,810
TOTAL PUBLIC SUPPORT AND REVENUE	2,236,432	(68,696)	-	2,167,736	2,666,680
EXPENSES:					
Program services	2,351,908	-	-	2,351,908	2,234,730
General and administrative	242,328	-	-	242,328	250,338
Fundraising	484,711	-	-	484,711	492,536
TOTAL EXPENSES	3,078,947	-	-	3,078,947	2,977,604
CHANGE IN NET ASSETS	(842,515)	(68,696)	-	(911,211)	(310,924)
NET ASSETS, beginning of year	3,795,809	945,940	128,000	4,869,749	5,180,673
NET ASSETS, end of year	$ 2,953,294	$ 877,244	$ 128,000	$ 3,958,538	$ 4,869,749

See Notes to Financial Statements.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011 with Comparative Totals for the Year Ended December 31, 2010

		Supporting Services				
	Program Services	General and Administrative	Fundraising	Supporting Services Total	2011 Total	2010 Total
Salaries	$ 728,566	81,314	$ 166,028	$ 247,342	$ 975,908	$ 1,003,954
Payroll taxes and fringe benefits	256,200	28,593	58,385	86,978	343,178	283,118
TOTAL SALARIES AND RELATED EXPENSES	984,766	109,907	224,413	334,320	1,319,086	1,287,072
Printing and artwork	16,676	4,765	26,205	30,970	47,646	69,807
Contract labor	293,487	-	40,974	40,974	334,461	192,338
Volunteer hours	107,200	-	-	-	107,200	89,600
Transportation	24,762	1,549	4,643	6,192	30,954	30,034
Postage and shipping	1,786	1,722	7,123	8,845	10,631	8,106
Scholarships and awards	42,236	-	-	-	42,236	41,507
Occupancy	111,352	22,841	8,566	31,407	142,759	150,297
Telephone	43,024	12,620	1,722	14,342	57,366	46,149
Insurance	52,888	8,921	1,912	10,833	63,721	67,804
Equipment and supplies	262,768	33,935	9,255	43,190	305,958	405,693
Repairs and maintenance	39,396	14,426	1,664	16,090	55,486	54,202
Service fees	8,378	857	285	1,142	9,520	8,696
Professional services	83,412	10,074	2,519	12,593	96,005	79,523
Public affairs and events	84,166	-	141,624	141,624	225,790	241,084
TOTAL OTHER EXPENSES	1,171,531	111,710	246,492	358,202	1,529,733	1,484,840
Depreciation	195,611	20,711	13,806	34,517	230,128	205,692
TOTAL EXPENSES	$ 2,351,908	$ 242,328	$ 484,711	$ 727,039	$ 3,078,947	$ 2,977,604

See Notes to Financial Statements.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (911,211)	$ (310,924)
Adjustments to reconcile change in net assets to cash flows from operations-		
Depreciation	230,128	205,692
Net unrealized (gains) losses on investments	95,654	(149,494)
Net realized (gains) losses on investments	(55,191)	24,076
In-kind contributions (Note 6)	(250,000)	-
Changes in:		
Pledges receivable, current	(23,246)	83,704
Pledges receivable, long-term	108,353	(332,948)
Receivable - United Way	6,696	-
Prepaid expenses and other	(170)	11,104
Accounts payable	3,827	(41,469)
Accrued expenses and other liabilities	(27,058)	23,989
NET CASH FLOWS FROM OPERATING ACTIVITIES	(822,218)	(486,270)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(97,507)	(154,774)
Purchases of investments	(40,609)	(502,291)
Sales of investments	655,867	399,705
NET CASH FLOWS FROM INVESTING ACTIVITIES	517,751	(257,360)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdrafts	38,241	20,044
NET CASH FLOWS FROM FINANCING ACTIVITIES	38,241	20,044
NET CHANGE IN CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND SHORT-TERM INVESTMENTS	(266,226)	(723,586)
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	366,062	1,089,648
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 99,836	$ 366,062

See Notes to Financial Statements.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

NOTES TO FINANCIAL STATEMENTS

(1) Organization

Mathews-Dickey Boys' & Girls' Club (the Club) is a Missouri not-for-profit corporation established for the purpose of providing recreational, athletic, and educational facilities and programs for youth in the metropolitan St. Louis, Missouri community. The St. Louis, Missouri community and the United Way are the primary sources of revenue for the Club.

(2) Summary of significant accounting policies

Basis of accounting – The financial statements of the Club have been prepared on the accrual basis of accounting.

Basis of presentation – The Club follows accounting standards set by the Financial Accounting Standards Board (FASB). In June 2009, the FASB issued ASC 105, *Generally Accepted Accounting Principles*, which establishes the Accounting Standards Codification (ASC), as the sole source of authoritative U.S. generally accepted accounting principles (GAAP). ASC 105 is effective for periods ending on or after September 1, 2009.

The financial statement presentation follows the recommendations of ASC 958-205. Under ASC 958-205, the Club is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents – All highly liquid investments with maturity of three months or less when purchased are considered to be cash equivalents. Money market funds are included in short-term investments. Cash received by the Club that is restricted in use by the donor is accounted for separately by the Club and is reflected as restricted cash in the statement of financial position. Restricted cash held at December 31, 2011 and 2010 is restricted by the donors to be used for the Club's building improvement campaign and a specific scholarship program. As of December 31, 2011 and 2010, the restricted cash account is owed approximately $422,000 and $385,000, respectively, from operations to be used for future building improvements and scholarship awards.

Investments – Investments are recorded at fair value in the accompanying statements of financial position in accordance with ASC 820. The fair values of investments with readily determinable fair values are based on quoted market prices. Realized and unrealized gains and losses are reflected in the statements of activities. Contributed securities are recorded at their fair market value on the date of receipt.

Receivables – Receivables consist of United Way allocations and pledges receivable. These are recorded at net realizable value. The 2012 United Way allocation is recorded as temporarily restricted support. Pledges are recorded in the year they are made. Pledges made and received beyond one year are discounted to the present value of estimated future cash flows using a discount rate of 5% at December 31, 2011 and 2010.

(2) Summary of significant accounting policies (continued)

Amortization of discounts is included in contribution revenue. The Club maintains an allowance for uncollectible pledges based on their collection experience and a review of the current status of existing receivables. The Club has an allowance for uncollectible pledges of $41,488 and $34,319 at December 31, 2011 and 2010, respectively.

Property and equipment – Property and equipment is stated at original cost, if purchased, or at fair market value at date of donation, if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows: Building–27.5 years; Leasehold improvements–19 years; Furniture and equipment–3-8 years; and Athletic equipment–4 years. Maintenance and repairs are charged to operations. Major renewals and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and the gain or loss, if any, is included in the statement of activities.

Unrestricted-Board designated net assets – Unrestricted-Board designated net assets include net assets restricted by the Board to fund the general activities of the Club to provide programs and facilities for youth in the metropolitan St. Louis, Missouri, community.

Temporarily restricted net assets – The donor for specific programs restricts temporarily restricted net assets. When the temporary restriction is met or the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. In situations where the restriction is met in the period the contribution is made or revenue is earned, the income is recorded in unrestricted net assets.

Permanently restricted net assets – Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Club to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

In-kind donations – In-kind donations include contributions of nonfinancial assets, including tickets and autographed items for special events, and volunteer time. Nonfinancial assets are recorded at fair value. Volunteer time primarily relates to tutors whose time meets the requirements of ASC 958-605.

Functional expenses – The Club allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service activity are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the program or support service activity.

(2) Summary of significant accounting policies (continued)

Use of estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative financial information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Club's financial statements for the year ended December 31, 2010 from which the summarized information was derived.

Fair value of financial instruments – Financial instruments, including cash and cash equivalents, restricted cash, prepaid expenses and other, accounts payable, and accrued expenses and other liabilities are carried at cost which approximates fair value due to the short-term nature of these instruments.

The Club determines the fair value of certain financial assets on a recurring basis through application of ASC 820, as disclosed in Note 4 to the financial statements.

There were no triggering events that required fair value measurements of the Club's nonfinancial assets and liabilities at December 31, 2011.

Income taxes – The Club is a not-for-profit corporation, exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and none of its present or anticipated future activities are subject to taxation as unrelated business income. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Club follows the provisions of ASC 740-10-25 requiring disclosure of uncertain tax positions. There have been no interest or penalties neither recognized in the statements of activities nor in the statements of financial position related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The Club evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

Reclassifications – Certain items in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

NOTES TO FINANCIAL STATEMENTS

(3) Pledges receivable

Pledges receivable are as follows:

	December 31, 2011	December 31, 2010
Receivables in less than one year	$ 114,875	$ 114,460
Receivables in one to five years	300,000	400,000
Total pledges receivable	414,875	514,460
Less:		
Allowance for uncollectible pledges	(41,488)	(34,319)
Discounts to net present value	(45,405)	(67,052)
Net pledges receivable	327,982	413,089
Less: current portion	(103,387)	(80,141)
Non-current portion	$ 224,595	$ 332,948

(4) Fair value measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2011 and 2010 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2011				
Money market funds	$ 67,257	$ 67,257	$ -	$ -
Equities:				
Common stock:				
Domestic common stock	313,950	313,652	-	-
Foreign common stock	30,838	30,838	-	-
Equity mutual funds:				
Small Cap	23,643	23,643	-	-
Mid Cap	90,785	90,785	-	-
Diversified emerging markets	52,168	52,168	-	-
Foreign large cap	120,129	120,129	-	-
Total equities	631,513	631,215	-	-
Bonds:				
AAA	159,491	-	159,491	-
AA2	25,152	-	25,152	-
AA3	53,890	-	53,890	-
A3	25,529	-	25,529	-
Total bonds	264,062	-	264,062	-
Total	$ 962,832	$ 698,472	$ 264,062	$ -

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

NOTES TO FINANCIAL STATEMENTS

(4) Fair value measurements (continued)

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2010				
Money market funds	$ 54,466	$ 54,466	$ -	$ -
Equities:				
Common stock:				
Domestic common stock	459,493	459,493	-	-
Foreign common stock	57,089	57,089	-	-
Equity mutual funds:	-			
Small Cap	75,227	75,227	-	-
Mid Cap	133,833	133,833	-	-
Diversified emerging markets	65,508	65,508	-	-
Foreign large cap	180,858	180,858	-	-
Total equities	972,008	972,008	-	-
Bonds:				
AAA	208,840	-	208,840	-
AA2	26,298	-	26,298	-
AA3	54,048	-	54,048	-
A1	187,286	-	187,286	-
A2	50,229	-	50,229	
A3	52,587	-	52,587	-
Total bonds	579,288	-	579,288	-
Total	$ 1,605,762	$ 1,026,474	$ 579,288	$ -

Fair value for investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. The Club's investments in this category consist primarily of common stocks, mutual funds, U.S. Treasuries, and money market funds.

Investments in the Level 2 category primarily include corporate bonds. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

(5) Endowment

The Club's endowment consists of one general fund established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Club has interpreted the state of Missouri enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the 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 Club classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy

The Board of Directors has approved a spending policy that allows the Club to withdraw, if needed, the amount of net income produced by the endowment fund in the subsequent year after the income is earned.

Strategies employed for achieving objectives

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

Funds with deficiencies

At no time has the fair value of assets associated with donor-restricted endowment funds fallen below the level that the donor requires the Club to retain as a fund of perpetual duration.

(5) Endowment (continued)

For the year ended December 31, 2011, the Club had the following endowment-related activities:

	2011 Endowment Funds		
	Donor-Restricted	Board-Designated	Total
	Permanently Restricted	Unrestricted	
Beginning Balance, January 1, 2011	$ 128,000	$ 1,477,762	$ 1,605,762
Investment Return			
Investment Income and Realized Gains, Net	-	79,724	79,724
Net Unrealized Appreciation	-	(95,654)	(95,654)
Total Investment Return	-	(15,930)	(15,930)
Contributions to Perpetual Endowment	-	-	-
Amounts Appropriated for Expenditure	-	(627,000)	(627,000)
Total Change In Endowment Funds	-	(642,930)	(642,930)
Ending Balance, December 31, 2011	$ 128,000	$ 834,832	$ 962,832

(6) Property and equipment

Property and equipment consists of the following:

	December 31,	
	2011	2010
Leasehold improvements	$ 2,936,871	$ 2,904,085
Furniture and equipment	696,425	679,724
Athletic equipment	395,285	347,265
Athletic fields	250,000	-
Building	334,234	334,234
	4,612,815	4,265,308
Less accumulated depreciation	(2,132,513)	(1,902,385)
Total property and equipment, net	$ 2,480,302	$ 2,362,923

Depreciation expense for the years ended December 31, 2011 and 2010 was $230,128 and $205,692, respectively.

(6) Property and equipment (continued)

The Club's building and sports facility, built with contributions and subsequently deeded to the City of Saint Louis, Missouri (the City), is leased for a nominal annual fee from the City pursuant to a 50-year lease agreement. The Club is obligated to provide for the maintenance of the leased property for the term of the lease. The value of such property is not capitalized in the financial statements of the Club. Improvements to such facilities are capitalized as leasehold improvements.

During the year ended December 31, 2011, approximately 30 acres of land utilized for ball fields was donated to the Club at a fair market value of $250,000. This contribution is included in in-kind donations on the statement of activities.

(7) Operating leases

The Club leases office equipment and an employee automobile under noncancelable operating lease agreements having an initial term of greater than one year. The expected future minimum lease payments are as follows:

Years Ending December 31,	
2012	$ 29,412
2013	22,912
2014	7,788
2015	5,328
Thereafter	-
Totals	$ 65,440

Rental expense was $36,504 and $20,880 for the years ended December 31, 2011 and 2010, respectively.

(8) Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at:

	December 31,	
	2011	2010
Building improvement campaign	$ 362,175	$ 389,515
Preschool program	2,000	10,000
Scholarship matching	73,340	100,000
United Way allocation	439,729	446,425
	$ 877,244	$ 945,940

(9) Permanently restricted net assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the Club.

(10) Benefit plan

The Club has a defined contribution 401(k) retirement plan, which is offered to all full-time employees age 21 and over who have completed at least one year of service. Employees can contribute up to 75% of their annual salary to the plan. The Club may elect to make a matching contribution to the Plan. The expense for the employer match was $31,340 and $27,181 for the years ended December 31, 2011 and 2010, respectively.

(11) Related party transactions

During the year ended December 31, 2011 and 2010, the Club received $144,790 and $162,855, respectively, in contributions from various board members and companies at which board members are executives or owners.

In addition, during the year ended December 31, 2011 and 2010, the Club paid $65,350 and $41,750, respectively, to family members of senior management of the Club for various services.

(12) Risks and uncertainties

The Club's assets include investments in various securities which, in general, are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statements of financial position and the statements of activities.

The Club maintains cash and cash equivalents and short and long-term investments with major banks and financial institutions. Accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at each institution. At times, the Club may have cash balances with banks in excess of the FDIC coverage.

The Club derived approximately 21% and 17% of its total support and revenue from United Way funding during the years ended December 31, 2011 and 2010, respectively.

(13) Subsequent events

In accordance with ASC 855, the Club has evaluated subsequent events through August 23, 2012, which is the date the financial statements were available to be issued.