

DISCOVERING OPTIONS
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2008

DISCOVERING OPTIONS

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	
Financial Statements	
Statement of Financial Position	1
Statement of Activities	2
Statement of Cash Flows	3
Notes to Financial Statements	4-9
Supplemental Schedule of Functional Expenses	10



Fick, Eggemeyer & Williamson

Certified Public Accountants, PC



MEMBERS OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Discovering Options

We have audited the accompanying statement of financial position of Discovering Options (a non-profit organization) as of June 30, 2008, 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 audit.

We conducted our audit in accordance with 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 audit provides 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 Discovering Options as of June 30, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

We conducted our audit in accordance with generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fick, Eggemeyer & Williamson

Fick, Eggemeyer & Williamson, CPA's
August 18, 2008

DISCOVERING OPTIONS
STATEMENT OF FINANCIAL POSITION
June 30, 2008

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 61,014
Investments	10,222
Grants receivable	12,018
Prepaid expenses	9,560
Total current assets	92,814
PROPERTY AND EQUIPMENT	
Depreciable assets - note 8	8,180
Less: accumulated depreciation	(1,636)
Total property and equipment	6,544
OTHER ASSETS	
Rent deposit	2,145
Total other assets	2,145
Total assets	\$ 101,503
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 22,837
Accrued vacation pay - note 4	3,847
Accrued payroll	1,725
Pension payable	418
Accrued expenses	6,800
Total current liabilities	35,627
Total liabilities	35,627
NET ASSETS, AS RESTATED	
Unrestricted	27,523
Temporarily restricted - note 9	38,353
Permanently restricted	-
Total net assets	65,876
Total liabilities and net assets	\$ 101,503

See accompanying notes and auditor's report

DISCOVERING OPTIONS
STATEMENT OF ACTIVITIES

For the year ended June 30,				2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Donations	\$ 38,996	\$ 5,239	\$ -	\$ 44,235
Event income	53,863	-	-	53,863
Grant income	76,692	353,793	-	430,485
Interest income	1,225	-	-	1,225
Total support and revenue	170,776	359,032	-	529,808
Net assets released from restriction	349,728	(349,728)	-	-
Total	520,504	9,304	-	529,808
Program expenses				
Educational programs	426,804	-	-	426,804
Total program expenses	426,804	-	-	426,804
Support expenses				
Administration	64,491	-	-	64,491
Fundraising	29,172	-	-	29,172
Total support expenses	93,663	-	-	93,663
Total expenses	520,467	-	-	520,467
Change in net assets	37	9,304	-	9,341
Net assets, beginning of year	27,486	29,049	-	56,535
Net assets, end of year	\$ 27,523	\$ 38,353	\$ -	\$ 65,876

See accompanying notes and auditor's report

DISCOVERING OPTIONS
STATEMENT OF CASH FLOWS

For the year ended June 30,	2008
CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 9,341
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	1,636
Changes in assets and liabilities:	
(Increase) decrease in grants receivable	(369)
(Increase) decrease in prepaid expenses	(741)
Increase (decrease) in accounts payable	11,848
Increase (decrease) in accrued vacation pay	(1,612)
Increase (decrease) in accrued payroll	1,725
Increase (decrease) in pension payable	418
Increase (decrease) in accrued expenses	<u>6,800</u>
Net cash provided by (used in) operating activities	<u>29,046</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(8,180)
Purchase of securities	<u>(10,222)</u>
Net cash provided by (used in) investing activities	<u>(18,402)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
None	<u>-</u>
Net cash provided by (used in) financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	10,644
Cash and cash equivalents - beginning of year	<u>50,370</u>
Cash and cash equivalents - end of year	<u><u>\$ 61,014</u></u>

See accompanying notes and auditor's report

DISCOVERING OPTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Discovering Options (the Organization) is a tax-exempt, non-profit organization established in 2003. Since the inception of Elementary PREP, Discovering options has reached over 400 at-risk 4th and 5th grade children that attend Saint Louis City Public Schools. Discovering Options developed enriching after school programs to address the lack of high quality after school programming for St. Louis' most academically and socially impoverished children. PREP (Promoting Responsibility Through Education and Preparation) is the cornerstone of Discovering Options after school programming. The curriculum teaches pro-social skills and substance abuse prevention. Middle School PREP was made possible through a grant from the Missouri Foundation for Health. Discovering Options Family PREP program helps children in grades kindergarten through 5th grade.

Basis of Presentation

The financial statements are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board in SFAS No. 116, "*Accounting for Contributions Received and Contributions Made*" and SFAS No. 117, "*Financial Statements of Non-For-Profit Organizations*". As a result, the Organization reports information about its financial position and activities using three classes of net assets that recognize the existence and nature of restrictions on its net assets.

Unrestricted Net Assets - represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Organization in accordance with the Articles of Incorporation and By-Laws.

Temporarily Restricted Net Assets - represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the Organization or by the passage of time.

Permanently Restricted Net Assets - are subject to donor-imposed stipulations that the net assets be retained and invested permanently. The Organization presently has no permanently restricted net assets.

The financial statements of Discovering Options have been prepared on the accrual basis of accounting.

DISCOVERING OPTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

The Organization maintains its internal accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure whereby resources with various restrictions as to expendability or user purpose are classified for accounting purposes in accordance with activities or objectives specified by donors.

Restricted and Unrestricted Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributions

Contributions, including unconditional promises to give in future periods, are recognized in the period in which the related expenditures are incurred.

Government Grants

The Organization receives grants from various governmental agencies. The revenue is recognized in the period in which the related expenditures are incurred.

Income Taxes

The organization is exempt from income taxes pursuant to section 501(c)3 of the Internal Revenue Service Code.

DISCOVERING OPTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Fixed Assets and Depreciation

Fixed assets are recorded at cost or, in the case of donated property, at its estimated fair market value at the date of the donation. Depreciation of fixed assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Expenditures for repairs and maintenance are charged as incurred.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures.

Note 2 - DONATED SERVICES AND MATERIALS

Various services and materials are donated to the Organization by various individuals and organizations. Donated materials and those donated services that meet the criteria for recognition under SFAS No. 116, "*Accounting for Contributions Received and Contributions Made*", are recorded at fair market value at the date of donation. In addition, a substantial number of other volunteers have donated their time to the Organization's programs. However, those donated services have not been recorded because they do not meet the criteria for recognition under SFAS No. 116.

Note 3 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between program expenses, general and administration and fundraising. This allocation and the detail of the functional expense categories is provided on the statement of functional expenses.

DISCOVERING OPTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 4 - ACCRUED VACATION AND SICK PAY

Employees of the Organization are entitled to paid vacation and sick pay, depending on length of service and job classification. Vacation accrued during each year of employment must be used by each employee's anniversary date. Sick pay can be carried over from year to year. The total accumulated sick leave for each employee may not at anytime exceed 320 hours. Only vacation pay is payable upon termination. At June 30, 2008, the Organization had \$3,847 of accrued vacation pay.

Note 5 - LEASES

In January 2004, the Organization entered into a lease agreement with City Blox, LLC (now Metro Properties, Inc.) for office space. The lease expires on January 27, 2009 and provides for monthly payments of \$2,145.

The Organization also leases a space from First Unitarian Church of St. Louis for the PREP program. This lease became effective September 1, 2004 and is renewable annually. Lease payments are made quarterly and the current rent during fiscal year 2008 was \$1,000 per quarter. In August 2008 the rent was increased to \$1,200 per quarter, beginning with the third quarter of 2008.

Minimum future lease payments are as follows:

Year Ending June 30,	
2009	<u>\$ 19,815</u>
Total	<u><u>\$ 19,815</u></u>

Rent expense associated with these leases, \$28,740 for the year ending June 30, 2008, is included under occupancy in the accompanying financial statements.

DISCOVERING OPTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 6 - RETIREMENT PLAN

The Organization sponsors a simple IRA account managed by Merrill Lynch. Employees become eligible after six months of service and the Organization matches up to 3% of the employee's contribution. The amount contributed for the fiscal year ended June 30, 2008 totaled \$2,436. As of June 30, 2008 the June contribution was payable in the amount of \$418.

Note 7 - RELATED PARTY TRANSACTION

A board member is a part owner of the office building in which Discovering Options leases office space. See note 5 for more details.

Note 8 - FIXED ASSETS

Fixed assets for the organization as of June 30, 2008 consisted of the following:

	<u>2008</u>
Equipment	\$ 8,180
Less: accumulated depreciation	<u>(1,636)</u>
Total fixed assets	<u><u>\$ 6,544</u></u>

Depreciation expense for the year ended June 30, 2008 was \$1,636.

DISCOVERING OPTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 9 - TEMPORARILY RESTRICTED ASSETS

Temporarily restricted assets as of June 30, 2008 consisted of the following:

Client support	\$ 148
Elementary school	37,366
Family prep	495
Middle school	344
	<u>\$ 38,353</u>

DISCOVERING OPTIONS
SUPPLEMENTAL SCHEDULE
OF FUNCTIONAL EXPENSES

For the year ended June 30, 2008

	Program Expenses	Supporting		Total
		General & Administration	Fundraising	
Salaries and wages	\$ 237,690	\$ 32,734	\$ 16,877	\$ 287,301
Employee benefits	18,530	1,667	-	20,197
Contractual	14,000	-	-	14,000
Accounting	16,087	1,788	-	17,875
Bank charges	636	237	-	873
Business insurance	6,063	674	-	6,737
Communications	7,329	685	-	8,014
Dues and subscriptions	153	192	-	345
Meals	430	228	-	658
Occupancy	29,186	2,688	-	31,874
Outreach/recruitment	1,495	2,287	-	3,782
Payroll processing	2,539	282	-	2,821
Postage	992	385	-	1,377
Professional services	10,291	17,471	-	27,762
Supplies	10,424	2,272	-	12,696
Client assistance	2,861	329	-	3,190
Program expenses	42,776	-	-	42,776
Transportation	20,551	-	-	20,551
Travel	2,583	352	-	2,935
Fundraising	-	-	12,295	12,295
Depreciation	1,636	-	-	1,636
Repairs and maintenance	552	220	-	772
TOTAL	\$ 426,804	\$ 64,491	\$ 29,172	\$ 520,467

See accompanying notes and auditor's report