

**DISCOVERING OPTIONS**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

DISCOVERING OPTIONS

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# *Fick, Eggemeyer & Williamson*

**Certified Public Accountants, PC**



MEMBERS OF THE  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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## 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, 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 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, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 9 is presented for purposes of additional analysis and is 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.

*Fick, Eggemeyer & Williamson*  
Fick, Eggemeyer & Williamson, CPA's  
September 26, 2011

DISCOVERING OPTIONS  
STATEMENT OF FINANCIAL POSITION  
June 30, 2011

ASSETS	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 35,815
Grants receivable	14,002
Prepaid expenses	2,114
Total current assets	51,931
 <b>PROPERTY AND EQUIPMENT</b>	
Depreciable assets - note 7	13,721
Less: accumulated depreciation	(9,868)
Total property and equipment	3,853
Total assets	\$ 55,784
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 8,674
Accrued vacation pay - note 4	5,157
Accrued payroll	1,700
Total current liabilities	15,531
Total liabilities	15,531
 <b>NET ASSETS</b>	
Unrestricted	27,148
Temporarily restricted - note 8	13,105
Permanently restricted	-
Total net assets	40,253
Total liabilities and net assets	\$ 55,784

See accompanying notes and auditor's report

DISCOVERING OPTIONS  
STATEMENT OF ACTIVITIES

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For the year ended June 30,				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Donations	\$ 25,809	\$ -	\$ -	\$ 25,809
Event income	53,644	-	-	53,644
Grant income	61,700	163,821	-	225,521
Interest income	120	-	-	120
Total support and revenue	141,273	163,821	-	305,094
Net assets released from restriction	155,075	(155,075)	-	-
Total	296,348	8,746	-	305,094
Program expenses				
Program	158,164	-	-	158,164
Total program expenses	158,164	-	-	158,164
Support expenses				
Administration	119,017	-	-	119,017
Fundraising	22,658	-	-	22,658
Total support expenses	141,675	-	-	141,675
Total expenses	299,839	-	-	299,839
Change in net assets	(3,491)	8,746	-	5,255
Net assets, beginning of year	30,639	4,359	-	34,998
Net assets, end of year	\$ 27,148	\$ 13,105	\$ -	\$ 40,253

See accompanying notes and auditor's report

DISCOVERING OPTIONS  
STATEMENT OF CASH FLOWS

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For the year ended June 30,	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Changes in net assets	\$ 5,255
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	2,744
Changes in assets and liabilities:	
(Increase) decrease in grants receivable	(1,685)
(Increase) decrease in other receivables	7,777
(Increase) decrease in prepaid expenses	5,503
(Increase) decrease in security deposit	2,145
Increase (decrease) in accounts payable	2,814
Increase (decrease) in accrued vacation pay	128
Increase (decrease) in accrued payroll	(12)
	24,669
Net cash provided by (used in) operating activities	24,669
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net decrease in investments	5,000
Net cash provided by (used in) investing activities	5,000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
None	-
Net cash provided by (used in) financing activities	-
Net increase (decrease) in cash and cash equivalents	29,669
Cash and cash equivalents - beginning of year	6,146
Cash and cash equivalents - end of year	\$ 35,815

See accompanying notes and auditor's report

DISCOVERING OPTIONS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**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 800 at-risk 4<sup>th</sup> and 5<sup>th</sup> 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. Discovering Options Family PREP program helps children in grades kindergarten through 5<sup>th</sup> grade.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

DISCOVERING OPTIONS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

Cash and Cash Equivalents

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

Grants Receivable

Grants receivable are recorded at their gross amount. No allowance has been established as all current grants are considered collectible by management.

Fixed Assets

Fixed assets are stated at cost if purchased or at fair value if contributed. 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.

Tax status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the internal revenue code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization is not classified as a private foundation.

On July 1, 2010, the Organization adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of FIN 48 had no impact on the Organization's statement of financial position or statement of activities. The Organization does not believe its financial statements include any uncertain tax positions. The Organization's tax returns filed prior to fiscal 2008 are closed.

Contributions and Support

Program service revenues are recorded as unrestricted support when earned. Contributions and unconditional promises to give are recorded as temporarily restricted, permanently restricted, or unrestricted support depending on the existence or nature of any donor restrictions. When restrictions expire, restricted net assets are reclassified to unrestricted net assets. The Organization records restricted contributions whose restrictions are met in the same reporting period as unrestricted.

DISCOVERING OPTIONS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

**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 other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between administration and the appropriate program based on evaluations of the related benefits. Administrative expenses include those expenses which were not directly identifiable with any other specific functions but provide for the overall support and direction of the Organization.

**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. As of June 30, 2011, the Organization had \$5,157 of accrued vacation pay.

DISCOVERING OPTIONS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**Note 5 - LEASES**

In June 2009, the Organization entered into a lease for office space with Cypress Management. The lease period is for 3 years with payments of \$1,907 per month during the second year of the lease and \$1,966 during the third year.

The Organization also leases a space from First Unitarian Church of St. Louis for the PREP program. This lease is renewable annually, and quarterly lease payments are \$600.

Future minimum lease payments are as follows

<u>Year ended June 30,</u>	<u>Amount</u>
2012	<u>\$ 23,595</u>
	<u>\$ 23,595</u>

Expenses associated with these leases totaled \$16,397 for the fiscal year ended June 30, 2011.

**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, 2011 totaled \$1,870.

**Note 7 - FIXED ASSETS**

Fixed assets for the Organization as of June 30, 2011 consisted of the following:

	<u>2011</u>
Equipment	\$ 13,721
Less: accumulated depreciation	<u>(9,868)</u>
Total fixed assets	<u>\$ 3,853</u>

Depreciation expense for the year ended June 30, 2011 was \$2,744

DISCOVERING OPTIONS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**Note 8 - TEMPORARILY RESTRICTED ASSETS**

Temporarily restricted assets as of June 30, 2011 consisted of the following:

Client support	\$ 678
Elementary school	<u>12,427</u>
	<u>\$ 13,105</u>

**Note 9 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 26, 2011, the date which the financial statements were available for issue.

DISCOVERING OPTIONS  
SUPPLEMENTAL SCHEDULE  
OF FUNCTIONAL EXPENSES

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For the year ended June 30, 2011

	Program Expenses	Supporting		Total
		General & Administration	Fundraising	
Salaries and wages	\$ 73,019	\$ 64,758	\$ -	\$ 137,777
Payroll taxes	4,375	4,973	-	9,348
Employee benefits	4,633	10,302	-	14,935
Contractual	9,841	-	-	9,841
Bank charges	513	770	-	1,283
Insurance	3,343	2,940	-	6,283
Communications	4,417	4,029	-	8,446
Dues and subscriptions	58	67	-	125
Meals	-	23	-	23
Occupancy	8,898	7,499	-	16,397
Outreach/recruitment	312	576	-	888
Payroll processing	472	472	-	944
Postage	176	266	-	442
Professional services	13,349	13,349	-	26,698
Supplies	2,881	2,963	-	5,844
Client assistance	1,325	-	-	1,325
Program expenses	27,876	447	-	28,323
Miscellaneous expense	-	77	-	77
Travel	772	644	-	1,416
Utilities	1,412	1,412	-	2,824
Fundraising	-	-	22,658	22,658
Depreciation	-	2,744	-	2,744
Repairs and maintenance	492	706	-	1,198
<b>TOTAL</b>	<b>\$ 158,164</b>	<b>\$ 119,017</b>	<b>\$ 22,658</b>	<b>\$ 299,839</b>

See accompanying notes and auditor's report