



Faculty Club, Inc.

DBA

The Hilary J.
Boone Center

FINANCIAL
REPORT
2010

**University of Kentucky
Faculty Club, Inc.
dba The Hilary J. Boone Center**

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Independent Accountants' Report

Board of Directors
University of Kentucky Faculty Club, Inc.
d/b/a/ The Hilary J. Boone Center
Lexington, Kentucky

We have audited the accompanying statement of financial position of the University of Kentucky Faculty Club, Inc. d/b/a The Hilary J. Boone Center (Club) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Club's management. 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. 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 the Club as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

September 30, 2010

UNIVERSITY OF KENTUCKY FACULTY CLUB, INC.
dba THE HILARY J. BOONE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

Cash and cash equivalents	\$ 134,769
Accounts receivable	18,403
Inventories	15,221
Equipment and furniture, less accumulated depreciation of \$71,630	21,529
Total assets	<u>\$ 189,922</u>

LIABILITIES

Accounts payable	\$ 11,650
Deferred revenue	55,122
Due to the University of Kentucky for accrued payroll	9,124
Total liabilities	<u>75,896</u>

NET ASSETS

Unrestricted	114,026
Total net assets	<u>114,026</u>
Total liabilities and net assets	<u>\$ 189,922</u>

See notes to financial statements.

**UNIVERSITY OF KENTUCKY FACULTY CLUB, INC.
 dba THE HILARY J. BOONE CENTER
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010**

REVENUES AND OTHER SUPPORT

Gross sales	\$ 934,981
Less: Cost of goods sold	(246,059)
Net sales	<u>688,922</u>
Membership dues	111,734
Other operating revenues	139,685
In-kind contributions from the University of Kentucky	440,104
Grants from the University of Kentucky	<u>144,000</u>
Total revenues	<u>1,524,445</u>

EXPENSES

Salaries and benefits reimbursement to the University of Kentucky	763,153
Rent	407,500
Utilities and other occupancy costs	90,875
Maintenance	20,956
Maintenance provided by the University of Kentucky	32,604
Administrative	37,944
Depreciation	7,982
Other expenses	78,916
Total expenses	<u>1,439,930</u>

Change in net assets	84,515
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NET ASSETS, beginning of year	<u>29,511</u>
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NET ASSETS, end of year	<u><u>\$ 114,026</u></u>
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See notes to financial statements.

UNIVERSITY OF KENTUCKY FACULTY CLUB, INC.
dba THE HILARY J. BOONE CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

OPERATING ACTIVITIES

Change in net assets	\$ 84,515
Items not requiring (providing) operating activities cash flows	
Depreciation	7,982
Grants from the University of Kentucky	(144,000)
Changes in	
Accounts receivable	20,268
Inventories	(1,092)
Accounts payable	2,545
Deferred revenue	55,122
Due to the University of Kentucky for accrued payroll	(5,410)
Due to the University of Kentucky	(29,161)
Net cash provided by (used in) operating activities	<u>(9,231)</u>

FINANCING ACTIVITIES

Grants from the University of Kentucky	<u>144,000</u>
Net cash provided by (used in) financing activities	<u>144,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>134,769</u>

CASH AND CASH EQUIVALENTS, beginning of year -

CASH AND CASH EQUIVALENTS, end of year \$ 134,769

NON-CASH TRANSACTIONS

In-kind contributions from the University of Kentucky	\$ 440,104
Rental cost for the Faculty Club building	\$ (407,500)
Cost of general support and maintenance provided by the University of Kentucky	\$ (32,604)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

The University of Kentucky Faculty Club, Inc. (the Club) (doing business as the Hilary J. Boone Center) is a not-for-profit Kentucky corporation established to foster collegial relationships among the faculty, administrative and professional staff of the University of Kentucky (the University) and other members through an organized program of intellectual, social and recreational pursuits. The Club's revenues and other support are derived principally from membership dues, dining and catering sales, in-kind contributions and grants from the University. The Club first came into existence in 1986 and was closed for renovation in 2005. It reopened as the current not-for profit Kentucky corporation in April 2008. Although included in the University's audited financial statements according to Governmental Accounting Standards, the Club is not considered to be an affiliate of the University by Kentucky Revised Statutes. The Club board approved the integration of its operations within the University and effective July 1, 2010 the Club will only function as holder of the liquor license.

Basis of Presentation

The three net asset categories as reflected in the accompanying financial statements are as follows:

- Unrestricted: Net assets that are free of donor-imposed restrictions. This category includes realized and unrealized gains on endowment and other long-term investments for which the use has not been specifically restricted by the donor. The Club's policy is to reinvest such earnings for future growth.
- Temporarily Restricted: Net assets whose use by the Club is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Club pursuant to those stipulations.
- Permanently Restricted: Net assets whose use by the Club is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Club.

Summary of Significant Accounting Policies

Accrual Basis. The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Cash and Cash Equivalents. The Club considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. All cash is held by the University.

Accounts Receivable. This classification consists of amounts due from external customers for goods and services. Accounts receivable are recorded net of estimated uncollectible amounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Allowances for uncollectible amounts are not significant in the current fiscal year.

Inventories. Inventories are stated at cost, on the first-in, first-out basis.

Income Taxes. The Club is exempt from income tax under section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Club is subject to federal income taxes on any unrelated business taxable income.

The Club files tax returns in U.S. federal jurisdictions. With a few exceptions, the Club is no longer subject to U.S. federal examinations by tax authorities for years before 2007.

Equipment and Furniture. Equipment and furniture are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift. Equipment with a unit cost of \$2,000 or more (\$1,000 for computers) and having an estimated useful life of greater than one year is capitalized. Equipment and furniture are depreciated on the straight-line basis over the estimated useful lives of the assets.

Deferred revenue. Deferred revenue consists of amounts received in advance of an event, primarily rental charges and catering fees for weddings held in the Club. Revenue is recognized in the period in which the event occurs.

Contributions. Gifts of cash and other assets received without donor stipulations are reported as unrestricted and net assets. Gifts received with a donor stipulation that limits their use are reported as restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as a net asset released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and released from restriction.

Membership Dues. The majority of Club members pay dues monthly. The membership dues are realized monthly and unpaid dues are recorded as accounts receivable.

Functional Allocation of Expenses. The costs of supporting the various programs and other activities have been summarized on a functional basis in the functional classification footnote.

Use of Estimates. Financial statements prepared in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Subsequent Events. Subsequent events have been evaluated through September 30, 2010, which is the date the financial statements were available to be issued.

2. INVENTORY

Inventory for the year ended June 30, 2010 consists of the following:

Food	\$	6,858
Liquor		6,399
Supplies		1,964
Total	\$	<u>15,221</u>

3. FUNCTIONAL CLASSIFICATION

The Club's expenses by functional classification were as follows for the year ended June 30, 2010:

General administrative	\$	156,770
Club operations		1,283,160
Total	\$	<u>1,439,930</u>

4. TRANSACTIONS WITH THE UNIVERSITY OF KENTUCKY

The Club is housed in the Hilary J. Boone Center, which is owned by the University and used by the Club at no charge except for a payment of \$1 each year to the University in accordance with an agreement between the Club and the University. The fair rental value of the center was \$407,500 for the year ended June 30, 2010, and was recognized in the financial statements of the Club.

In accordance with an agreement between the Club and the University, costs related to facilities for general support and maintenance are paid by the University. The amount spent for these items was \$32,604 for the year ended June 30, 2010 and was recognized in the financial statements of the Club.

The Club cooperates with the University in fostering collegial relationships among faculty, administrative and professional staff. The University provides support for the operations and management of the Club, primarily for departmental memberships. The total contribution by the University to the Club was \$144,000 for the year ended June 30, 2010.

5. HEALTH INSURANCE BENEFITS FOR RETIREES

The University administers a single-employer defined benefit healthcare plan including medical and prescription drug benefits. The plan provides lifetime healthcare insurance benefits for eligible retirees and their surviving spouses. Human Resources Policies and Procedures define retiree health benefits and can be amended by the President of the University as delegated by the University's Board of Trustees.

For employees hired before January 1, 2006, the University provides a pre-65 credit of up to 90% of the "true retiree" cost of the least expensive pre-65 medical plan. For post-65 benefits, the University provides a credit equal to 90% of the "true retiree" cost of the post-65 medical plan.

The University has established a trust fund to segregate plan assets, and currently plans to contribute amounts to the trust fund sufficient to fully fund the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

The Club has recognized its share of the contribution reimbursement for employee benefit costs and has no additional liability for this benefit at June 30, 2010.

6. ECONOMIC CONDITIONS

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large declines in membership dues collected and contributions received. The financial statements have been prepared using values and information currently available to the Club.

Current economic and financial market conditions have led many individuals to become more conservative in their spending. This trend is expected to also affect the spending of the University's employees, who are the Club's target group for memberships, food sales and contributions. Such conditions may significantly impact the Club's future operating results.

BOARD OF DIRECTORS

Dr. Everett McCorvey
Mr. Milton Neal
Mr. Michael J. Scanlon

OFFICERS

Dr. Lee T. Todd, Jr., President
Dr. Dorothy Brockopp, Vice President
Mr. Frank Butler, Treasurer



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