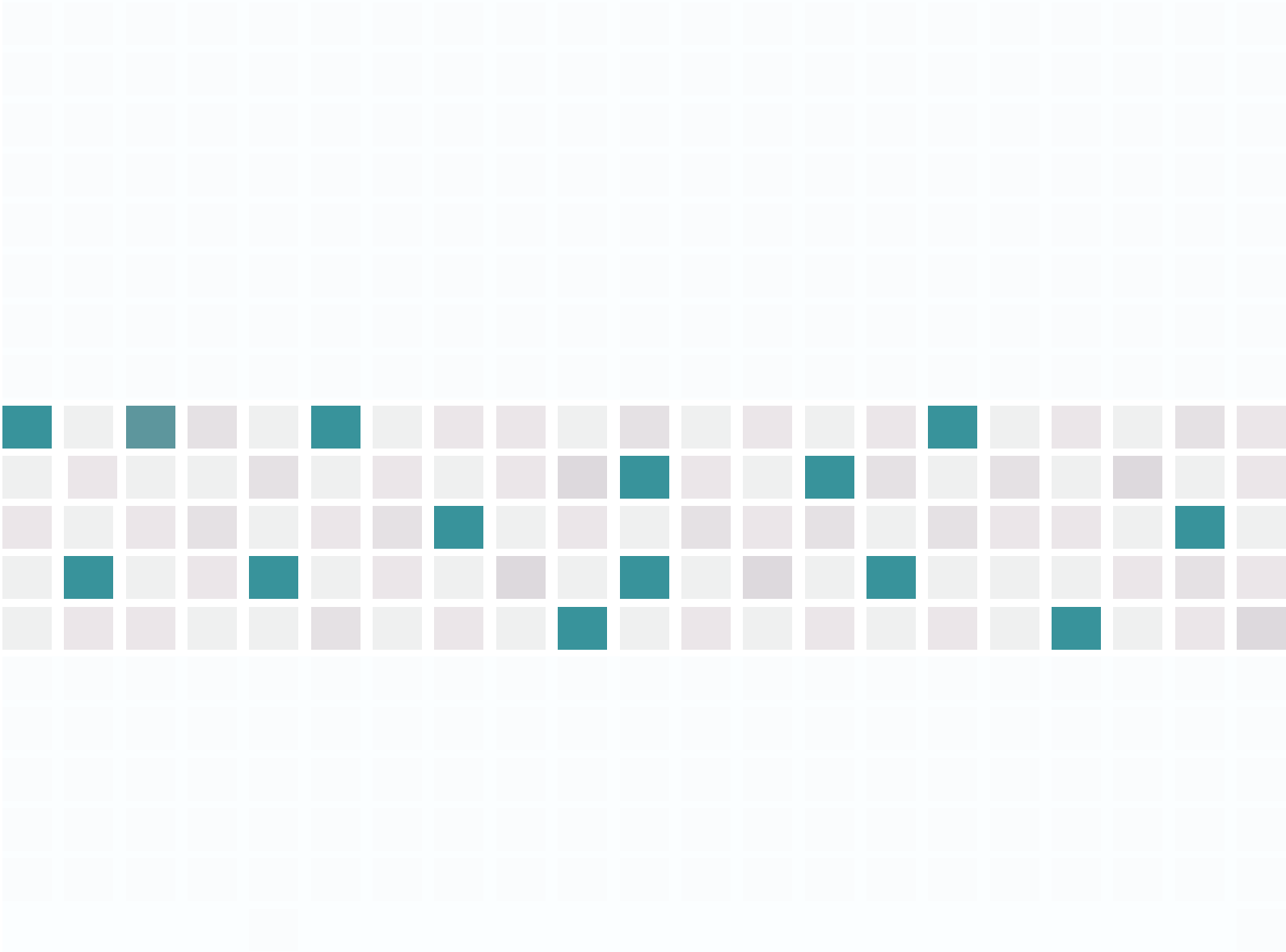


The Boys and Girls Clubs of Boston, Inc.

Financial Report
June 30, 2010



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Independent Auditor's Report

To the Board of Directors
The Boys and Girls Clubs of Boston, Inc.
Boston, Massachusetts

We have audited the accompanying statements of financial position of The Boys and Girls Clubs of Boston, Inc. (the "Organization") as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years 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.

We conducted our audits 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 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 The Boys and Girls Clubs of Boston, Inc. as of June 30, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Boston, Massachusetts
November 15, 2010

The Boys and Girls Clubs of Boston, Inc.

Statements of Financial Position
June 30, 2010 and 2009

Assets	2010	2009
Cash and cash equivalents (Note 11)	\$ 2,407,043	\$ 2,482,796
Short-term investments, at fair value (Notes 7 and 8)	1,045,754	1,915,607
Reimbursable program grant expenditures	131,450	375,757
Prepaid expenses and other assets	536,442	414,107
Pledges receivable (Notes 3, 4, 5 and 16)	10,554,291	18,845,763
Long-term investments, at fair value (Notes 7 and 8)	23,834,022	19,003,026
Land, buildings and equipment, at cost, net (Note 12)	28,602,514	29,901,007
Total assets	\$ 67,111,516	\$ 72,938,063
Liabilities and Net Assets		
Line of credit (Note 10)	\$ -	\$ 1,520,000
Note payable (Note 11)	913,500	-
Accounts payable - trade	267,248	243,071
Accrued expenses (Note 9)	2,847,144	2,078,176
Deferred revenue	304,265	187,896
Total liabilities	4,332,157	4,029,143
Net Assets		
Unrestricted (Note 16)	30,210,564	31,202,336
Temporarily restricted (Notes 4 and 16)	6,222,766	8,652,583
Permanently restricted (Notes 5 and 16)	26,346,029	29,054,001
Total net assets	62,779,359	68,908,920
Total liabilities and net assets	\$ 67,111,516	\$ 72,938,063

See Notes to Financial Statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Activities

Years Ended June 30, 2010 and 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support								
United Way contributions	\$ 724,247	\$ -	\$ -	\$ 724,247	\$ 840,368	\$ -	\$ -	\$ 840,368
Contributions and benefits	5,851,867	2,802,902	232,176	8,886,945	5,217,374	1,672,296	429,495	7,319,165
Grants from governmental agencies	862,540	-	-	862,540	1,223,279	-	-	1,223,279
Parent fees, vouchers, member dues, and club camp fees	812,990	-	-	812,990	777,098	-	-	777,098
Gifts-in-kind (Note 14)	214,721	-	-	214,721	219,248	-	-	219,248
Service and other income	1,635,857	-	-	1,635,857	1,328,008	-	-	1,328,008
Investment income on long-term investments designated by the Board for operations (Note 6)	672,808	228,580	-	901,388	174,095	595,314	-	769,409
Provision for pledges	-	(1,625,299)	(2,940,148)	(4,565,447)	-	-	-	-
Net assets released from restrictions (Note 6)	4,174,108	(4,174,108)	-	-	5,168,865	(5,168,865)	-	-
Total revenues, gains and other support	14,949,138	(2,767,925)	(2,707,972)	9,473,241	14,948,335	(2,901,255)	429,495	12,476,575
Operating Expenses (Notes 9, 10, 13,14 and 15)								
Program Services	11,124,651	-	-	11,124,651	10,888,028	-	-	10,888,028
Management and general	1,372,531	-	-	1,372,531	1,400,328	-	-	1,400,328
Fundraising	2,039,880	-	-	2,039,880	2,259,612	-	-	2,259,612
Total operating expenses	14,537,062	-	-	14,537,062	14,547,968	-	-	14,547,968
Income (loss) from operations before depreciation	412,076	(2,767,925)	(2,707,972)	(5,063,821)	400,367	(2,901,255)	429,495	(2,071,393)
Depreciation expense (Note 12)	1,636,489	-	-	1,636,489	1,657,246	-	-	1,657,246
Income (loss) from operations	(1,224,413)	(2,767,925)	(2,707,972)	(6,700,310)	(1,256,879)	(2,901,255)	429,495	(3,728,639)
Non-operating activities								
Net assets released from restriction (capital expenditures) (Note 6)	14,892	(14,892)	-	-	46,473	(46,473)	-	-
Investment income on long-term investment designated by the Board for operations (Note 16)	(672,808)	(228,580)	-	(901,388)	(174,095)	(595,314)	-	(769,409)
Interest and dividend income (Note 16)	189,842	46,920	-	236,762	86,131	90,550	-	176,681
Investment expense	(30,294)	-	-	(30,294)	(59,673)	-	-	(59,673)
Net realized gains on investments (Note 16)	835	3,377	-	4,212	84,915	35,281	-	120,196
Net unrealized gains (losses) on investments (Note 16)	1,451,250	531,283	-	1,982,533	(2,883,933)	(1,198,216)	-	(4,082,149)
Comprehensive campaign expenses	-	-	-	-	(52,526)	-	-	(52,526)
Pension liability adjustment (Note 9)	(721,076)	-	-	(721,076)	(909,931)	-	-	(909,931)
Non-operating gains (losses)	232,641	338,108	-	570,749	(3,862,639)	(1,714,172)	-	(5,576,811)
Change in net assets	(991,772)	(2,429,817)	(2,707,972)	(6,129,561)	(5,119,518)	(4,615,427)	429,495	(9,305,450)
Net Assets - Beginning of Year	31,202,336	8,652,583	29,054,001	68,908,920	36,321,854	13,268,010	28,624,506	78,214,370
Net Assets - End of Year	\$ 30,210,564	\$ 6,222,766	\$ 26,346,029	\$ 62,779,359	\$ 31,202,336	\$ 8,652,583	\$ 29,054,001	\$ 68,908,920

See Notes to Financial Statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Functional Expenses
Years Ended June 30, 2010 and 2009

	2010				2009			
	Salaries and Wages	Payroll Taxes and Fringe Benefits	Other Expenses	Total Operating Expenses	Salaries and Wages	Payroll Taxes and Fringe Benefits	Other Expenses	Total Operating Expenses
Programs (Direct Expenses)								
Arts	\$ 313,015	\$ 80,627	\$ 16,832	\$ 410,474	\$ 359,770	\$ 81,242	\$ 26,271	\$ 467,283
Education	403,935	103,880	124,591	632,406	358,647	82,904	107,230	548,781
Leadership and character development	115,065	29,018	60,355	204,438	122,948	28,658	70,831	222,437
Life skills	730,474	187,854	134,357	1,052,685	766,571	176,750	87,353	1,030,674
Sports, fitness, recreation	609,137	157,108	69,501	835,746	643,533	151,068	87,271	881,872
Technology	250,975	64,019	198,177	513,171	288,082	67,152	122,439	477,673
Summer programs	151,937	37,849	92,082	281,868	186,564	51,138	163,548	401,250
School age child care	221,538	57,448	35,464	314,450	198,884	47,594	42,922	289,400
Member services	285,287	73,738	127,581	486,606	288,263	66,930	131,939	487,132
YouthConnect	618,750	159,725	67,983	846,458	712,691	162,749	79,711	955,151
Shared space sites	1,180,348	214,339	292,902	1,687,589	995,961	169,471	235,695	1,401,127
Programs (Support Expenses)								
Facility maintenance, insurance and utilities	217,342	55,518	1,212,028	1,484,888	242,336	56,770	1,454,707	1,753,813
Program management and administration	1,047,673	268,174	271,302	1,587,149	1,013,731	234,470	134,341	1,382,542
Program development and staff support	440,679	109,375	236,669	786,723	387,989	90,288	110,616	588,893
Depreciation	-	-	1,613,156	1,613,156	-	-	1,634,953	1,634,953
Total program expenses, including depreciation expense	6,586,155	1,598,672	4,552,980	12,737,807	6,565,970	1,467,184	4,489,827	12,522,981
Management and General	652,280	152,613	567,638	1,372,531	611,588	140,199	648,541	1,400,328
Depreciation, Management and General	-	-	23,333	23,333	-	-	22,293	22,293
Fundraising	1,066,880	247,762	725,238	2,039,880	1,128,267	257,341	874,004	2,259,612
Total operating expenses and depreciation expenses	\$ 8,305,315	\$ 1,999,047	\$ 5,869,189	\$ 16,173,551	\$ 8,305,825	\$ 1,864,724	\$ 6,034,665	\$ 16,205,214

See Notes to Financial Statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Change in net assets	\$ (6,129,561)	\$ (9,305,450)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	1,636,489	1,657,246
Net realized and unrealized (gains) losses on investments	(1,986,745)	3,961,953
Contributions received for long-term use	(3,563,617)	(1,599,465)
Provision for pledges	2,940,148	-
Changes in operating assets and liabilities		
Pledges receivable	5,351,324	6,461,324
Reimbursable program grant expenditures	244,307	116,590
Prepaid expenses and other assets	(122,335)	(240,635)
Accounts payable - trade	24,177	(225,534)
Accrued expenses	768,968	780,557
Deferred revenue	116,369	34,810
Total adjustments	5,409,085	10,946,846
Net cash (used in) provided by operating activities	(720,476)	1,641,396
Cash Flows from Investing Activities		
Purchase of building improvements and equipment	(337,996)	(365,888)
Proceeds from sale of investments	252,104	12,943,366
Purchase of investments	(2,226,502)	(14,893,297)
Net cash used in investing activities	(2,312,394)	(2,315,819)
Cash Flows from Financing Activities		
Net repayments on line of credit	(606,500)	(880,000)
Contributions received for long-term use	3,563,617	1,599,465
Net cash provided by financing activities	2,957,117	719,465
Net (Decrease) Increase in Cash and Cash Equivalents	(75,753)	45,042
Cash and Cash Equivalents:		
Beginning of year	2,482,796	2,437,754
End of year	\$ 2,407,043	\$ 2,482,796
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid during the year for interest	\$ 16,372	\$ 60,750

See Notes to Financial Statements.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Organization: The mission of Boys and Girls Clubs of Boston, Inc. (the "Organization") is to help young people, especially those who need us most, build strong character and realize their full potential as responsible citizens and leaders. The Organization does this by providing a safe haven filled with hope and opportunity, ongoing relationships with caring adults and life-enhancing programs.

Basis of Presentation: The financial statements of the Boys and Girls Clubs of Boston, Inc. have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Accounting Standards Codification: In June 2009, FASB ASC 105 was issued, which established the FASB Accounting Standards Codification as the source of authoritative US generally accepted accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. The Organization has applied this guidance in the preparation of the Organization's financial statements as of June 30, 2010.

Net Assets: Net assets, revenues and realized and unrealized gains and losses on investments are classified based on the existence or absence of donor-imposed restrictions and legal restrictions imposed under Massachusetts state law. In accordance with these provisions, capital appreciation on donor permanently restricted assets is treated as temporarily restricted net assets until appropriated by the Board of Directors and spent.

Unrestricted net assets carry no donor-imposed restrictions but may be designated for specific purposes by the Organization.

Temporarily restricted net assets are subject to donor stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to donor stipulations or by state law. Temporarily restricted net assets consist principally of gifts and unconditional pledges receivable restricted by donors for specified program operating purposes or capital purposes.

When a restriction expires (that is, when a 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 unrestricted revenues, expenses, and other changes in unrestricted net assets as net assets released from restrictions.

Permanently restricted net assets are subject to donor stipulations requiring that they be maintained in perpetuity, thereby restricting the use of principal. Usually, donor stipulations allow part or all of the income earned to be used currently for either specific or general operating purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Periodically, the Organization may receive information from donors that results in a change in the net asset classification for the respective funds. These changes are recorded as redesignations in the statements of activities.

The Organization has adopted ASC 958 – *Financial Statements of Not-for - Profit Organizations*. This standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA").

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Net Assets (continued): UPMIFA is a model act approved by the Uniform Law Commission (“ULC”; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. FASB ASC 958 also improves disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

Effective June 30, 2009 Massachusetts adopted the UPMIFA of 2006. The Organization adopted the provisions of UPMIFA during the year ended June 30, 2009, which apply to funds existing on or established after that date. No reclassification of net assets from unrestricted to temporarily restricted was required by the Organization due to the adoption of the standard.

Contributions: Contributions received, including unconditional pledges, are recognized as revenue when donors' commitments are received. Pledges made and collected in the same reporting period are recorded when received in the appropriate net asset category.

Unconditional pledges receivable in future periods are included in the financial statements as pledges receivable. Unconditional pledges receivable are recognized at the estimated net present value of such pledges, net of an allowance for uncollectible amounts. Conditional promises are recorded when donor stipulations are substantially met.

The Organization follows the guidance of FASB ASC 958-310-35 for subsequent measurement of unconditional promises to give if there are changes in the quantity or nature of promised assets. If the fair value of a contribution receivable decreases because of changes in the quantity or nature of assets expected to be received, the decrease is recognized in the period in which the expectation changes and the increased allowance is reported as an expense or loss in the net asset class in which the net assets are represented.

The Organization reports contributions of land, building and equipment as unrestricted support, unless the donor places restrictions on their use. Contributions of cash or other assets used to acquire or construct long-lived assets are reported as unrestricted support to the extent the funds have been expended for the stipulated acquisition or construction; otherwise the contributions are reported as temporarily restricted support.

Investments: Investments in marketable securities, primarily mutual funds, are stated at fair value as established by major securities markets and are pooled for investment purposes. Realized gains and losses on investments are computed based on the average cost of each security sold and are allocated between unrestricted and temporarily restricted net assets based on the fair value of pooled investments applicable to the respective asset totals. Investments relating to temporarily restricted net assets are in separate accounts and are only invested in short-term securities.

Investments in nonmarketable investments (alternative investments) are generally carried at fair value determined by management, relying upon the information provided by external investment managers. The estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The amount of realized and unrealized gain or loss associated with these investments is reflected in the accompanying financial statements along with such amounts relating to marketable investments. The Organization believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2010 and 2009.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and such changes could materially affect investment.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Investments (continued): Unless otherwise restricted by the donor or state law, investment income and net unrealized and realized gains are recorded as increases in unrestricted net assets. When a donor restriction exists, investment income and net unrealized and realized gains are allocated based on the total balance of pooled investments applicable to the respective asset totals.

The Board of Directors of the Organization, has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, 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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the funds, the purposes of the Organization and the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, and the investment policies of the Organization.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets provide a real total return of at least 5% over the long term (rolling five-year periods). Real total return is the sum of capital appreciation (or loss) and current income (dividends and interest) adjusted for inflation by the Consumer Price Index. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

As approved by its Finance Committee, the Organization has a policy of appropriating for distribution each year 4.5 to 5 percent of its endowment fund's average fair value over the prior 12 quarters through the preceding fiscal year-end. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at the total return less the spend policy. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Board of Directors has approved a 5% spending of approximately \$1,049,000 for the fiscal year ending June 30, 2011.

Based on its spending policy, a portion of the Organization's cumulative net realized gains and net appreciation is allocated to operations in accordance with the Organization's investment policies and procedures. During the years ended June 30, 2010 and 2009, the Board approved the transfer of \$901,388 and \$769,409, respectively.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Fair Value Measurements: The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under standard, fair value measurements are separately disclosed by level within the fair value hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of investments included in Level I are marketable equity available for sale securities that are traded in an active exchange market.

Level II: Pricing inputs other than quoted prices in active markets, 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. Instruments included in this category are warrants and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level III: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level III includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Operating Activities: Changes in unrestricted net assets are classified as either operating activities or non-operating activities. Non-operating activities include investment income (including interest and dividend income, realized and unrealized gains and losses on investments), funds released from temporarily restricted net assets to support capital spending, comprehensive campaign expenses, in-kind contributions relating to real property and changes in additional minimum pension liabilities recorded. All other activities that are deemed by management to be ongoing, major and central to operations are reported as operating revenues and expenses.

Cash and Cash Equivalents: The Organization maintains some of its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents. The Organization considers all highly liquid investments with a maturity of three months or less, when acquired, to be cash equivalents.

Land, Buildings and Equipment: Land, buildings and equipment are reported at cost at the date of acquisition or fair value at the date of donation in the case of a gift. Provisions for depreciation are computed on a straight-line basis. The following are the estimated useful lives:

Buildings and improvements	25-40 years
Equipment, furniture and fixtures	3-5 years

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Land, Buildings and Equipment (continued): Expenditures for maintenance and repairs are charged to expense as incurred; betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is credited or charged to operations.

The Organization has adopted FASB ASC 410, *Asset Retirement and Environmental Obligations*. This standard requires that a liability be recorded for the fair value of a conditional asset retirement obligation. The recording of a liability is required if the fair value of the obligation can be reasonably estimated. As of June 30, 2010 and 2009, the Organization is unaware of any such obligations. The Organization will recognize a liability in the period in which they become aware of such liability and sufficient information is available to reasonably estimate its fair value.

Deferred Revenue: Receipts from the Organization's summer programs have been deferred and will be recorded as revenue when the programs are completed and the related expenses are incurred.

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 functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited based on employee hours spent within a program or supporting service.

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 and liabilities and disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements.

Recently Issued Accounting Pronouncements: In April 2009, FASB issued ASC Topics 820-10-35, 50 and 55 (formerly FAS 157-4), *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased*. This provides additional guidance on estimating the fair value of an asset where the level of activity has decreased significantly, and affirms that the objective fair value is the price that would be received to sell the asset in an orderly transaction, even when the market for the asset is not active. The Organization adopted ASC Topics 820-10-35, 50 and 55 effective July 1, 2009.

In September 2009, the FASB issued FASB Accounting Standards Update No. 2009-12, *Investment in Certain Entities That Calculate Net Asset Value per Share* (ASU 2009-12). ASU 2009-12 (formerly FAS 157-g) amends FASB Statement No. 157, Fair Value Measurements, adds disclosures, and provides guidance for estimating the fair value of investments in investment companies that calculate net asset value per share, allowing the Net Asset Value per Share (NAV) to be used as a practical expedient for fair value where investment companies follow the American Institute of Certified Public Accountants (AICPA) Guide in arriving at their reported NAV. The Organization adopted ASU 2009-12 effective July 1, 2009.

In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 (formerly FAS 157-4) to require additional disclosures. The guidance requires entities to disclose transfers of assets in and out of Levels I and II of the fair value hierarchy, and the reasons for those transfers. In addition, the guidance requires separate presentation of purchase end sales in the Level III asset reconciliation. ASU 2010-06 is effective July 1, 2010. The adoption of this guidance is not expected to have a material impact on the Organization's financial statements.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued): In April 2009, the FASB issued ASC Topic 958-810, which provides overall guidance on the recognition of combinations involving not-for-profit organizations, and provides implementation guidance for determining whether a combination between a not-for-profit organization and one or more businesses, nonprofit activities, or another not-for-profit organization is a merger or an acquisition.

Reclassification: Certain reclassifications have been made to the 2009 financial statements in order to conform to the 2010 presentation.

Contingencies: The Organization is subject to claims which have risen in the normal course of business. The likely outcome of these claims is unknown; accordingly, no reserves have been made for the potential settlements of these claims.

Note 2. Tax Status

The Organization qualifies as a public charity under Internal Revenue Code Section 170(b)(1)(A)(vi), and has been determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management believes the Organization has no material uncertainties in income taxes.

The Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

Note 3. Pledges Receivable

Unconditional promises to give at June 30, 2010 and 2009 are expected to be realized in the following periods:

	<u>2010</u>	<u>2009</u>
In one year or less	\$ 6,468,291	\$ 13,434,553
Between one and five years	3,947,164	6,000,210
Greater than five years	<u>5,681,007</u>	<u>1,000,000</u>
	16,096,462	20,434,763
Less:		
Allowance for pledges	4,361,397	194,000
Discount to present value (ranging from 1.79%-4.92%)	<u>1,180,774</u>	<u>1,395,000</u>
	<u>\$ 10,554,291</u>	<u>\$ 18,845,763</u>

The methodology for calculating the fair value of the pledges, and the pledge allowance includes management's review of individually significant outstanding pledges, analysis of the aging of payment schedules for all outstanding pledges, as well as other factors including current economic conditions. In 2010, \$4,261,007 of the allowance for pledges is associated with one pledge.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available at June 30 for the following purposes:

	<u>2010</u>	<u>2009</u>
Teen programs	\$ 6,745	\$ 6,708
Technology programs	14,385	21,918
Education programs	122,118	166,405
Social worker programs	253,500	433,500
Other specific activities of the Organization	1,714,946	2,003,192
Scholarships	171,412	177,367
Comprehensive Campaign		
Annual Fund	2,676,903	4,974,937
Roxbury Facility Campaign	144,201	58,000
Blue Hill Facility Campaign	-	5,000
Chelsea Facility Campaign	80,144	80,144
Green Street Facility Campaign	59,511	99,511
Accumulated realized and unrealized net gains on permanently restricted net assets	<u>978,901</u>	<u>625,901</u>
	<u>\$ 6,222,766</u>	<u>\$ 8,652,583</u>

Note 5. Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2010</u>	<u>2009</u>
Specific activities of the Organization	\$ 10,937,274	\$10,936,724
General activities of the Organization	15,408,755	18,117,277
	<u>\$ 26,346,029</u>	<u>\$29,054,001</u>

Note 6. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Technology programs	\$ 10,133	\$ 10,000
Education programs	57,601	90,616
Social worker programs	210,000	217,398
Other specific activities of the Organization	1,099,094	985,276
Scholarships	18,700	33,918
Comprehensive Campaign		
Annual Fund	2,550,000	3,236,343
Roxbury Facility Campaign	9,892	36,227
Blue Hill Facility Campaign	5,000	10,246
Accumulated realized and unrealized net gains and (losses) on permanently restricted net assets	<u>228,580</u>	<u>595,314</u>
	<u>\$ 4,189,000</u>	<u>\$ 5,215,338</u>

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 7. Investments

Investments, at fair value consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Short-term investments		
Cash and cash equivalents	\$ 114,854	\$ 614,058
Fixed Income	<u>930,900</u>	1,301,549
Total short-term investments	<u>1,045,754</u>	1,915,607
Long-term investments		
Money market fund	1,435,741	1,755,839
Fixed income	5,443,709	4,732,775
Equity	11,149,925	7,543,947
Real Assets	1,556,700	647,891
Alternative investments	<u>4,247,947</u>	4,322,574
Total long-term investments	<u>23,834,022</u>	19,003,026
Total investments	<u>\$ 24,879,776</u>	<u>\$ 20,918,633</u>

Note 8. Fair Value Measurements

The following table summarizes the valuation of the Organization's investments by fair value hierarchy levels as of June 30, 2010 and 2009:

<u>2010</u>	<u>Quoted Prices</u>	<u>Observable Inputs</u>	<u>Unobservable Inputs</u>	<u>Total</u>
	Level I	Level II	Level III	
Investments				
Cash and cash equivalents	\$ 114,854	\$ -	\$ -	\$ 114,854
Money market fund	1,435,741	-	-	1,435,741
Fixed income	5,443,709	930,900	-	6,374,609
Equity	7,506,896	3,643,029	-	11,149,925
Real assets	1,556,700	-	-	1,556,700
Alternative Investments	-	-	4,247,947	4,247,947
Totals	<u>\$ 16,057,900</u>	<u>\$ 4,573,929</u>	<u>\$ 4,247,947</u>	<u>\$ 24,879,776</u>

<u>2009</u>	<u>Quoted Prices</u>	<u>Observable Inputs</u>	<u>Unobservable Inputs</u>	<u>Total</u>
	Level I	Level II	Level III	
Investments				
Cash and cash equivalents	\$ 614,058	\$ -	\$ -	\$ 614,058
Money market fund	1,755,839	-	-	1,755,839
Fixed income	4,732,775	1,301,549	-	6,034,324
Equity	5,930,540	1,613,407	-	7,543,947
Real Assets	647,891	-	-	647,891
Alternative Investments	-	-	4,322,574	4,322,574
Totals	<u>\$13,681,103</u>	<u>\$ 2,914,956</u>	<u>\$ 4,322,574</u>	<u>\$ 20,918,633</u>

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements (continued)

The changes in investments, at fair value, for which the Organization has used Level III inputs to determine fair value are as follows:

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 4,322,574	\$ 3,845,122
Investment Income		
Net realized/unrealized losses on investments	479,895	(812,584)
Interest and dividends	13,755	9
Investment fees	-	(3,227)
	<u>493,650</u>	<u>(815,802)</u>
Purchase of investments	361,787	1,293,254
Sales of investments	<u>(930,064)</u>	<u>-</u>
Balance at end of year	<u>\$ 4,247,947</u>	<u>\$ 4,322,574</u>

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements (continued)

The Organization uses the net asset value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company. The following table lists investments in investment companies by major category.

	Strategy	NAV in funds	# of funds	Dollar Amount of Unfunded Commitments	Redemption Frequency	Redemption Restrictions	Redemption Restrictions in Place at Year End
Domestic Equity	Fund divided into multiple sectors investing in domestic public companies	\$ 2,879,220	3	\$ -	Daily, Monthly	None	None
International Equity	Global funds, primarily publically traded common stocks and fixed income.	763,809	1	-	Monthly	None	None
Private Equity	Venture and buyout, in the U.S. and international	1,047,328	3	1,465,772	N/A*	N/A	N/A
Absolute return	Fund of funds which focuses on partnerships investing in publically traded companies	3,200,619	3	-	Annual	One fund has a lock-up of nine months with 75 days written notice needed	None
	Total	\$7,890,976	10	\$ 1,465,772			

* These funds are in private equity structure, with no ability to be redeemed.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 9. Pension Plan

The Organization has a defined benefit pension plan covering substantially all employees. Plan benefits are based on years of service and average annual earnings. Plan assets are principally invested in mutual funds. The Organization's policy is to fund pension costs as incurred.

Information relative to the Organization's defined benefit pension plan is presented below:

<i>Obligations and Funded Status</i>	<u>2010</u>	<u>2009</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 3,670,416	\$ 2,906,620
Service cost	322,656	289,342
Interest cost	242,142	210,650
Actuarial loss	958,550	472,507
Benefits paid	<u>(102,460)</u>	<u>(208,703)</u>
	<u>5,091,304</u>	3,670,416
Change in plan assets		
Fair value of plan assets at beginning of year	2,053,211	2,155,423
Actual return on plan assets	249,110	(353,896)
Employer contributions made prior to measurement date	261,000	460,387
Benefits paid	<u>(102,460)</u>	<u>(208,703)</u>
Fair value of plan assets at end of year	<u>2,460,861</u>	<u>2,053,211</u>
Funded status of plan at end of year	<u>\$ (2,630,443)</u>	<u>\$ (1,617,205)</u>
Amounts recognized on statement of financial position:		
Accrued expenses	<u>\$ (2,630,443)</u>	<u>\$ (1,617,205)</u>
Amounts recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost consist of:		
Net actuarial loss	<u>\$ 2,634,179</u>	<u>\$ 1,931,165</u>
For pension plans with accumulated benefit obligations in excess of assets at June 30 of the respective years, aggregate amounts were:		
Projected benefit obligations	\$ 5,091,304	\$ 3,670,416
Accumulated benefit obligations	3,979,493	2,872,340
Plan assets	2,460,861	2,053,211
<i>Net Periodic Benefit Cost and Other Changes in Unrestricted Net Assets</i>		
Net periodic benefit cost	\$ 571,224	\$ 416,464
Other changes in net assets not yet included in net periodic benefit cost and reclassifications to net periodic benefit cost, of amounts previously recognized as changes in unrestricted net assets but not included in net periodic benefit cost when they arose:		
Net actuarial (gain) loss	<u>721,076</u>	<u>909,931</u>
Total amounts recognized as changes in unrestricted net assets arising from the defined benefit plan	<u>\$ 1,292,300</u>	<u>\$ 1,326,395</u>

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 9. Pension Plan (continued)

	<u>2010</u>	<u>2009</u>
<i>Assumptions</i>		
Weighted-average assumptions used in computing ending obligations:		
Discount rate	5.50%	6.25%
Rate of compensation increase	2.75	3.00
Weighted-average assumptions used in computing net cost:		
Discount rate	6.25%	6.75%
Rate of compensation increase	3.00	3.00
Expected return on plan assets	7.50	7.50

The expected long-term rate of return on plan assets reflects the plan sponsor's estimate of future investment returns (expressed as an annual percentage), taking into account the allocation of plan assets among different investment classes and long-term expectations of future returns on each class.

Plan Assets

<u>Asset Category</u>	Percentage of Plan Assets at June 30,	
	<u>2010</u>	<u>2009</u>
Pension plans:		
Equity securities	56%	66%
Debt securities	44	34
Total	<u>100%</u>	<u>100%</u>

As of June 30, 2010 and 2009, the plan assets are considered Level I under the fair value measurements standard.

Cash Flows

Employer contributions:	<u>Amount</u>
2009	\$ 460,387
2010	261,000
2011	450,000
Benefit payments:	<u>Amount</u>
2009	\$ 208,703
2010	102,460

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 375,000
2012	113,000
2013	114,000
2014	160,000
2015	110,000
2016 – 2020	2,238,800

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 10. Lines of Credit

The Organization maintains an operating line of credit, with interest payable based on LIBOR plus two and one half percent (2.84% and 2.81% at June 30, 2010 and 2009, respectively). The maximum amount available under the line of credit is \$5,000,000 and it expires on May 11, 2011, at which point all borrowings and accrued interest must be repaid or the expiration date extended at the option of the lender. The Organization had no balance outstanding under this line at June 30, 2010 and 2009.

The Organization has an existing note related to prior capital projects for Roxbury and Blue Hill, where interest is payable based on LIBOR plus one percent (1.31% at June 30, 2009). The note expired on April 10, 2010, and the outstanding amount was converted to a sixty-month term loan, at the option of the Organization (See Note 11). The Organization had \$1,520,000 outstanding under this line at June 30, 2009.

Under the terms of the agreements, if there are any borrowings outstanding, the most restrictive covenants require the Organization to maintain certain minimum financial ratios, including a debt service coverage of at least 1.10.

Interest expense was \$16,372 and \$60,750 for the years ended June 30, 2010 and 2009, respectively.

Note 11. Note Payable

On April 10, 2010, the Organization entered into a term loan agreement where interest is payable based on LIBOR plus one percent (1.35% at June 30, 2010). The term loan is payable in monthly installments of \$15,750, plus interest and is due April 10, 2015. Cash held at the lending institution secures the loan. The Organization had \$913,500 outstanding at June 30, 2010.

The maturities of the note payable are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2011	\$ 189,000
2012	189,000
2013	189,000
2014	189,000
2015	157,500
	<u>\$ 913,500</u>

Note 12. Land, Buildings and Equipment

	<u>2010</u>	<u>2009</u>
Land	\$ 160,324	\$ 160,324
Buildings and improvements	44,250,169	43,965,308
Equipment, furniture and fixtures	1,905,448	1,852,313
	<u>46,315,941</u>	<u>45,977,945</u>
Less: accumulated depreciation	17,713,427	16,076,938
	<u>\$ 28,602,514</u>	<u>\$ 29,901,007</u>

Depreciation expense amounted to \$1,636,489 and \$1,657,246 for the years ended June 30, 2010 and 2009, respectively.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 13. Related Party Transactions

Certain members, or their affiliates, of the Organization's Board of Directors provide various professional services to the Organization. Directors disclose these relationships and abstain from any votes related to services that they may provide. Total payments under these arrangements were \$40,140 and \$1,028,814 for the years ended June 30, 2010 and 2009, respectively. Some professional services also were received from related parties on an in-kind basis. Certain members of the Board of Directors are partners or employees of investment companies in which the Organization has direct investments. Members disclose these relationships and abstain from any votes related to these specific investments. These direct investments represent approximately 1.3% and 1.2% of the Organization's total investments as of June 30, 2010 and 2009, respectively.

Note 14. Contributed Gifts-in-Kind

The Organization receives and recognizes contributed gifts-in-kind, in the form of consulting and other services, at fair value. Contributions made for activities have been recorded as operating income, and contributions received in connection with capital renovations have been recorded as non-operating income.

The Organization has entered into long-term leases with the Trustees of the George Robert White Fund for the Blue Hill Club and a portion of the South Boston Club. The use of these facilities constitutes a "gift-in-title", the value of which is equal to the fair market value of the facilities at the commencement of the leases.

Note 15. Operating Leases

The Organization has a variety of operating leases for automobiles, equipment and office space. As of June 30, 2010 and 2009, the Organization paid \$353,049 and \$351,595, respectively.

The following is a schedule of minimum lease payments as of June 30, 2010 under these lease agreements:

<u>Years ending June 30,</u>	<u>Amount</u>
2011	\$ 345,608
2012	106,656
2013	23,191
2014	8,353
2015	4,017
	<u>\$ 487,825</u>

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 16. Endowment Assets

Endowment net asset composition by type of fund at June 30:

2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 978,901	\$26,346,029	\$27,324,930

2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 625,901	\$29,054,001	\$29,679,902

Changes in endowment net assets for the year ended June 30, 2010 and 2009 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2009	\$ -	\$ 625,901	\$29,054,001	\$29,679,902
Investment return:				
Net Investment Income	-	46,920	-	46,920
Net realized and unrealized loss	-	534,660	-	534,660
Total investment return	-	581,580	-	581,580
Contributions	-	-	232,176	232,176
Provision for pledges	-	-	(2,940,148)	(2,940,148)
Appropriation of endowment income per spending policy	-	(228,580)	-	(228,580)
June 30, 2010	\$ -	\$ 978,901	\$26,346,029	\$27,324,930

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements

Note 16. Endowment Assets (continued)

2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2008	\$ -	\$2,307,875	\$28,624,506	\$30,932,381
Investment return:				
Net Investment Income	-	76,275	-	76,275
Net realized and unrealized loss	-	(1,162,935)	-	(1,162,935)
Total investment return		(1,086,660)	-	(1,086,660)
Gifts to endowment	-	-	429,495	429,495
Appropriation of endowment income per spending policy	-	(595,314)	-	(595,314)
June 30, 2009	\$ -	\$625,901	\$29,054,001	\$29,679,902

Permanently restricted net assets include net pledges receivable of \$6,473,220 and \$9,893,938 at June 30, 2010 and 2009, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. The aggregate deficiency between the fair value of the investments of the endowment fund at June 30, 2010 and 2009 and the level required by donor stipulation is approximately \$700,000, and \$1,900,000. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. During the year ended June 30, 2010, gains of approximately \$1,200,000 associated with donor restricted funds were recorded as unrestricted to restore deficiency losses recorded in unrestricted net assets at June 30, 2009. No appropriations were made for the year ended June 30, 2010 or 2009 from individual funds that have a fair value below the amount of the original gift.

Note 17. Subsequent Events

The Organization evaluated subsequent events through November 15, 2010, when the financial statements were available to be issued.