The Boys and Girls Clubs of Boston, Inc.

Financial Statements

Years Ended June 30, 2014 and 2013

The Boys and Girls Clubs of Boston, Inc.

FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013

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McGladrey

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Boys and Girls Clubs of Boston, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, statements of functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Boston, Massachusetts
December 16, 2014

The Boys and Girls Clubs of Boston, Inc.

Statements of Financial Position

June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	**$ 4,688,788**	$ 5,548,186
Restricted cash and cash equivalents	**5,550,586**	799,767
Reimbursable program grant expenditures	**271,758**	374,961
Other receivables	**1,614,911**	779,335
Prepaid expenses and other assets	**257,070**	46,133
Pledges receivable	**20,389,437**	21,040,725
Beneficial interest in charitable trusts	**1,187,241**	1,084,435
Long-term investments	**44,574,817**	37,250,078
Land, buildings and equipment, net	**25,357,402**	25,114,997
Total assets	**$ 103,892,010**	$ 92,038,617
LIABILITIES AND NET ASSETS		
Accounts payable - trade	**$ 446,289**	$ 362,057
Accounts payable - construction	**227,377**	-
Accrued expenses	**2,608,044**	1,970,553
Deferred revenue	**263,054**	244,534
Total liabilities	**3,544,764**	2,577,144
Net assets:		
Unrestricted	**29,541,393**	29,523,270
Temporarily restricted	**31,349,528**	26,188,397
Permanently restricted	**39,456,325**	33,749,806
Total net assets	**100,347,246**	89,461,473
Total liabilities and net assets	**$ 103,892,010**	$ 92,038,617

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Activities

Years Ended June 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
United Way contributions	$ 615,248	$ -	$ -	$ 615,248	$ 612,686	$ -	$ -	$ 612,686
Contributions and benefits	10,323,805	5,591,973	5,656,935	21,572,713	9,763,362	15,744,784	4,888,905	30,397,051
Grants and contracts from governmental agencies	1,369,390	-	-	1,369,390	1,259,982	-	-	1,259,982
Parent fees, vouchers, member dues, and club camp fees	1,059,081	-	-	1,059,081	1,038,666	-	-	1,038,666
Gifts-in-kind	449,224	-	-	449,224	425,186	-	-	425,186
Service and other income	1,999,691	-	-	1,999,691	2,042,657	-	-	2,042,657
Appropriation of investment income on long-term investments	190,899	1,259,085	-	1,449,984	143,311	1,128,341	-	1,271,652
Net assets released from restrictions	4,723,952	(4,723,952)	-	-	4,044,707	(4,044,707)	-	-
Reclassifications of net assets to conform with donor intent	-	-	-	-	-	378,129	(378,129)	-
Total revenues, gains and other support	20,731,290	2,127,106	5,656,935	28,515,331	19,330,557	13,206,547	4,510,776	37,047,880
Operating expenses:								
Program services	15,114,746	-	-	15,114,746	14,063,040	-	-	14,063,040
Management and general	1,614,363	-	-	1,614,363	1,584,707	-	-	1,584,707
Fundraising	3,421,323	-	-	3,421,323	3,086,079	-	-	3,086,079
Total operating expenses before depreciation	20,150,432	-	-	20,150,432	18,733,826	-	-	18,733,826
Income from operations before depreciation	580,858	2,127,106	5,656,935	8,364,899	596,731	13,206,547	4,510,776	18,314,054
Depreciation expense	1,720,610	-	-	1,720,610	1,671,718	-	-	1,671,718
Income (loss) from operations	(1,139,752)	2,127,106	5,656,935	6,644,289	(1,074,987)	13,206,547	4,510,776	16,642,336
Non-operating activities:								
Net assets released from restriction (capital expenditures)	1,053,641	(1,053,641)	-	-	-	-	-	-
Appropriation of investment income on long-term investments	(190,899)	(1,259,085)	-	(1,449,984)	(143,311)	(1,128,341)	-	(1,271,652)
Interest and dividend income	44,956	393,128	-	438,084	42,013	330,787	-	372,800
Investment expense	(5,524)	(48,304)	-	(53,828)	(3,391)	(26,697)	-	(30,088)
Net realized gains on investments	5,554	48,572	-	54,126	17,511	137,871	-	155,382
Net unrealized gains on investments	560,354	4,900,133	-	5,460,487	380,051	2,992,278	-	3,372,329
Change in split interest agreements	-	53,222	49,584	102,806	-	-	17,112	17,112
Capital grants	72,000	-	-	72,000	-	-	-	-
Comprehensive Campaign expenses	(60,804)	-	-	(60,804)	(78,180)	-	-	(78,180)
Pension liability adjustment	(321,403)	-	-	(321,403)	1,120,698	-	-	1,120,698
Non-operating gains	1,157,875	3,034,025	49,584	4,241,484	1,335,391	2,305,898	17,112	3,658,401
Change in net assets	18,123	5,161,131	5,706,519	10,885,773	260,404	15,512,445	4,527,888	20,300,737
Net assets, beginning of year	29,523,270	26,188,397	33,749,806	89,461,473	29,262,866	10,675,952	29,221,918	69,160,736
Net assets, end of year	$ 29,541,393	$ 31,349,528	$ 39,456,325	$ 100,347,246	$ 29,523,270	$ 26,188,397	$ 33,749,806	$ 89,461,473

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Functional Expenses

Years Ended June 30, 2014 and 2013

	2014				2013			
	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	**$ 482,082**	**$ 115,036**	**$ 65,450**	**$ 662,568**	$ 417,547	$ 110,095	$ 90,777	$ 618,419
Education	**414,369**	**99,257**	**292,584**	**806,210**	383,433	101,077	190,901	675,411
Leadership and character development	**178,502**	**44,083**	**176,149**	**398,734**	248,502	68,370	194,942	511,814
Life skills	**930,859**	**220,742**	**354,308**	**1,505,909**	892,245	230,794	291,611	1,414,650
Sports, fitness, recreation	**772,359**	**184,748**	**176,702**	**1,133,809**	703,652	185,163	160,027	1,048,842
Technology	**212,879**	**49,409**	**27,070**	**289,358**	220,712	56,594	230,717	508,023
Summer programs	**134,154**	**32,592**	**155,590**	**322,336**	115,502	31,381	125,968	272,851
School age child care	**291,248**	**69,691**	**57,967**	**418,906**	266,156	69,776	25,952	361,884
Member services	**320,749**	**182,757**	**135,254**	**638,760**	375,900	99,201	113,787	588,888
YouthConnect	**581,764**	**137,292**	**83,097**	**802,153**	502,425	130,090	76,139	708,654
Shared space sites	**989,826**	**228,483**	**447,658**	**1,665,967**	690,098	173,647	446,322	1,310,067
Camp Harbor View	**985,947**	**141,801**	**332,765**	**1,460,513**	926,638	138,779	323,230	1,388,647
Programs (support expenses):								
Facility maintenance, insurance and utilities	**326,677**	**77,580**	**1,353,535**	**1,757,792**	287,280	74,955	1,302,342	1,664,577
Program management and administration	**1,207,884**	**287,082**	**314,050**	**1,809,016**	1,127,422	291,157	440,561	1,859,140
Program development and staff support	**714,305**	**166,866**	**561,544**	**1,442,715**	518,921	129,196	483,056	1,131,173
Depreciation	**-**	**-**	**1,622,933**	**1,622,933**	-	-	1,586,927	1,586,927
Total program expenses, including depreciation expense	**8,543,604**	**2,037,419**	**6,156,656**	**16,737,679**	7,676,433	1,890,275	6,083,259	15,649,967
Management and general	**734,260**	**164,792**	**715,311**	**1,614,363**	703,800	173,015	707,892	1,584,707
Depreciation, management and general	**-**	**-**	**97,677**	**97,677**	-	-	84,791	84,791
Fundraising	**1,667,586**	**387,574**	**1,366,163**	**3,421,323**	1,577,045	400,076	1,108,958	3,086,079
Total operating expenses and depreciation expenses	**$ 10,945,450**	**$ 2,589,785**	**$ 8,335,807**	**$ 21,871,042**	$ 9,957,278	$ 2,463,366	$ 7,984,900	$ 20,405,544

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 10,885,773	$ 20,300,737
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	1,720,610	1,671,718
Net realized and unrealized gains on investments	(5,514,613)	(3,527,711)
Beneficial interest in charitable trusts	-	(706,306)
Contributions received for long-term use	(3,302,961)	(3,340,000)
Contributions restricted for purchase of building improvements and equipment	(4,750,401)	(561,581)
Change in split interest agreements	(102,806)	(17,112)
Donated land and building	(400,000)	-
Changes in operating assets and liabilities:		
Pledges receivable	651,288	(12,690,018)
Reimbursable program grant expenditures	103,203	(83,293)
Other receivables	(835,576)	
Prepaid expenses and other assets	(210,937)	(312,177)
Accounts payable - trade	84,232	110,825
Accrued expenses	637,491	(924,950)
Deferred revenue	18,520	(145,980)
Total adjustments	(11,901,950)	(20,526,585)
Net cash used in operating activities	(1,016,177)	(225,848)
Cash flows from investing activities:		
Purchase of building improvements and equipment	(1,335,638)	(558,552)
Proceeds from sale of investments	127,959	645,028
Sale of investments	9,472,395	-
Purchase of investments	(16,161,299)	(492,777)
Net cash used in investing activities	(7,896,583)	(406,301)
Cash flows from financing activities:		
Contributions received for long-term use	3,302,961	3,340,000
Contributions restricted for purchase of building improvements and equipment	4,750,401	561,581
Net cash provided by financing activities	8,053,362	3,901,581
Net change in cash and cash equivalents	(859,398)	3,269,432
Cash and cash equivalents:		
Beginning of year	5,548,186	2,278,754
End of year	$ 4,688,788	$ 5,548,186
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ -	$ 75
Purchases of building improvements and equipment included in accounts payable	$ 227,377	$ -

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Classification and Reporting of Net Assets

The Organization follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“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 Massachusetts Uniform Prudent Institutional Funds Act (“UPMIFA”).

UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. This standard also requires 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. A description of the three net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of the Organization as well as funds invested in plant, including campus buildings. In addition, unrestricted net assets of the Organization include funds which represent unrestricted resources designated by the Board of Directors (“the Board”) for specific purposes.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets also include, under Massachusetts law, amounts, representing cumulative interest, dividends, appreciation and reinvested gains on permanently restricted endowment funds, which are subject to prudent appropriation by the Board in accordance with donor use restrictions and provisions of Massachusetts law but which have not yet been appropriated by the Board. 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 activities as net assets released from restrictions.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Permanently restricted net assets may also include realized and unrealized gains and interest and investment income on certain contributions, as stipulated by the donor.

The Boys and Girls Clubs of Boston, Inc.
Notes to Financial Statements
Years Ended June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Classification and Reporting of Net Assets...continued

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 statement of activities.

Revenue Recognition

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

The programs of the Organization are, in part, supported by contracts negotiated with various agencies of the Commonwealth of Massachusetts. Therefore, the Organization is subject to the regulations and rate formulas of the Massachusetts Executive Office for Administration and Finance Operational Services Division.

Excess of revenue over expenses from Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by the Organization for expenditures in accordance with its exempt purpose, provided such expenditures are reimbursable under the Operational Services Division's regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment, and are reported as a liability.

Membership dues are recognized as earned over the applicable membership period.

Contributions

Contributions received, including unconditional pledges, are initially recognized at fair value as revenues in the period the donor's 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 using a rate commensurate with the risk involved, and net of an allowance for uncollectible amounts. Amortization of the discount is recorded as contribution revenue in the appropriate net asset class. Conditional promises are recorded when donor stipulations are substantially met.

The methodology for calculating the allowance for uncollectible pledges 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.

The Organization follows the guidance of the 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 Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Contributions…continued

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

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.

Donated Goods and Services

The Organization receives support in the form of donated services. Services meeting the criteria for recognition established in FASB ASC 958, *Financial Statements of Not-for-Profit Organizations*, performed by trained professionals for services that would have been purchased if not donated, are recorded at their estimated fair market values at the time the services are rendered and are reflected in the financial statements as both revenues and expenses. Donated goods and facility rentals are also recorded at their estimated fair market values at the time the goods or rental commitments are provided and are reflected in the financial statements as both revenues and expenses.

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 in nonmarketable investments (alternative investments) are stated at estimated 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, 2014 and 2013.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Investments…continued

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 fund 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 over the long term in excess of the spend policy to support operations. Real total return is the sum of capital appreciation (or loss) and current income (dividends and interest) adjusted for inflation. Actual returns in any given year may vary.

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 Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Investments…continued

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, 2014 and 2013, the Board approved the appropriation of $1,449,984 and $1,271,652, respectively.

Beneficial Interest in Charitable Trusts

The Organization is the beneficiary of a number of charitable trusts (split interest agreements), which are included in beneficial interest in charitable trusts on the statement of financial position. The Organization initially recognizes a contribution as well as an interest in the underlying investment from which a specified amount or percentage of the fair value of the trusts' assets or income each year is currently being paid to the Organization (perpetual trust) or to the donor or named beneficiary (remainder trust).

Actuarial methods are used to calculate that portion of the investment representing the present value of the liability to the donor and that portion representing the contribution.

For agreements and trust assets maintained by an outside trustee, the Organization includes in the beneficial interest in charitable trusts the value of the estimated future benefits to be received when the assets are distributed. Adjustments to reflect the changes in the fair value of the investments, revaluation of the present value of the estimated future payments to the donors and or donors' stated beneficiaries, and changes in actuarial assumptions during the term of the trust are made to the beneficial interest in charitable trusts account and are recognized as changes in the value of split interest agreements in their respective net asset classes.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, accrued liabilities, and short-term borrowings approximates fair value due to the short maturity of these instruments.

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), change in split interest agreements, investment expenses, funds released from temporarily restricted net assets to support capital spending, capital grants, comprehensive campaign expenses 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.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include amounts that have been received from donors which are unspent or not yet invested in the endowment and contain purpose restrictions imposed by the donor.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by reviewing the age of the receivable and based on collection history.

There was no allowance for doubtful accounts at June 30, 2014 and 2013. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received.

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

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, 2014 and 2013, 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.

Impairment of Long-Lived Assets

The Organization has given consideration to FASB ASC 360-10-15, as it related to accounting for impairment or disposal of long-lived assets in its presentation of these financial statements. As of June 30, 2014 and 2013, the Organization has not recognized any reduction in the carrying value of its property when considering this standard.

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.

The Boys and Girls Clubs of Boston, Inc.
Notes to Financial Statements
Years Ended June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

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 accordance 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity

In order to provide information about liquidity, assets are sequenced according to their nearness of conversion to cash and liabilities according to the nearness of their estimated maturity.

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.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements in order to conform to the 2014 presentation.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue *from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to students and donors. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2017. The Organization does not believe the adoption of this standard will have a material impact on the financial statements.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

2. TAX STATUS

The Organization qualifies as a public charity under Internal Revenue Code Section 170(b)(l)(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. The Organization recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities. Management evaluated the Organization's tax positions and concluded that the Organization has no material uncertainties in income taxes.

With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2011. Interest and penalties, if any, are included in income tax expense.

3. PLEDGES RECEIVABLE

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

	2014	2013
In one year or less	$ 7,529,000	$ 11,228,000
Between one and five years	14,580,634	11,827,056
Greater than five years	1,135,000	1,220,000
	23,244,634	24,275,056
Less:		
Allowance for pledges	2,109,704	2,546,311
Discount to present value (ranging from 0.7% - 5%)	745,493	688,020
	$ 20,389,437	$ 21,040,725

As of June 30, 2014, the Organization has received approximately $16.7 million of intentions to give, which are not reflected in pledges receivable.

4. TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
Other specific activities of the Organization	$ 3,169,498	$ 3,315,702
Scholarships	110,616	124,055
Comprehensive Campaign	1,921,950	2,189,240
Opening Doors Campaign	13,140,345	13,771,000
Mattapan Teen Center	2,335,053	-
MHK Giving Back Assistance Fund	1,589,105	1,793,105
Beneficial interests in charitable trusts	590,646	537,424
Accumulated realized and unrealized net gains on permanently restricted net assets	8,492,315	4,457,871
	$ 31,349,528	$ 26,188,397

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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:

	2014	2013
Endowment:		
Specific activities of the Organization	$ 23,080,015	$ 17,423,079
General activities of the Organization	16,376,310	16,326,727
	$ 39,456,325	$ 33,749,806

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 are as follows:

	2014	2013
Other specific activities of the Organization	$ 2,507,744	$ 1,736,982
Scholarships	13,500	21,861
MHK Giving Back Assistance Fund	210,000	210,000
Comprehensive Campaign	733,623	947,523
Appropriation of temporarily restricted investment income on long-term investments	1,259,085	1,128,341
	$ 4,723,952	$ 4,044,707
Releases – Capital	$ 1,053,641	$ -

7. LONG-TERM INVESTMENTS

Long-term investments, at fair value consisted of the following at June 30:

	2014	2013
Money market fund	$ 2,018,595	$ 1,529,445
Domestic bonds	5,058,520	5,860,370
International bonds	1,953,582	1,806,843
Domestic equity	14,245,420	12,726,517
International equity	7,637,566	4,662,276
Emerging markets equity	2,834,518	1,667,031
Real assets	2,733,713	2,142,352
Alternative investments	8,092,903	6,855,244
Total long-term investments	$ 44,574,817	$ 37,250,078

8. FAIR VALUE MEASUREMENTS

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 - Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data and includes investments valued using the net asset value as the practical expedient with redemption periods of 90 days or less.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs. . Level 3 also includes investments valued using the net asset value as the practical expedient with redemption periods of more than 90 days.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Organization has various processes and controls in place to ensure that fair value is reasonably estimated.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended June 30, 2014 and 2013, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

8. FAIR VALUE MEASUREMENTS…continued

The following is a description of the valuation methodologies used for instruments measured at fair value:

Money Market Fund, Equity Securities, Bonds, and Real Assets

The fair value of money market funds, equity securities, bonds and real assets is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Beneficial Interest in Charitable Trusts

The fair value of beneficial interest in charitable trusts is based on quoted market prices of the underlying investments and present value techniques.

The following tables are a summary of assets that the Organization measures at fair value on a recurring basis, by level, within the fair value hierarchy at June 30:

	2014			
	Level 1	Level 2	Level 3	Total
Money market fund	$ 2,018,595	$ -	$ -	$ 2,018,595
Domestic bonds	5,058,520	-	-	5,058,520
International bonds	1,952,682	900	-	1,953,582
Domestic equity	12,370,997	1,874,423	-	14,245,420
International equity	6,158,095	1,479,471	-	7,637,566
Emerging markets equity	2,834,518	-	-	2,834,518
Real assets	2,733,713	-	-	2,733,713
Alternative investments	-	-	8,092,903	8,092,903
Total long-term investments	$ 33,127,120	$ 3,354,794	$ 8,092,903	$ 44,574,817
Beneficial interest in trusts	$ -	$ -	$ 1,187,241	$ 1,187,241

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

8. FAIR VALUE MEASUREMENTS…continued

	2013			
	Level 1	Level 2	Level 3	Total
Money market fund	$ 1,529,445	$ -	$ -	$ 1,529,445
Domestic bonds	5,860,370	-	-	5,860,370
International bonds	1,805,943	900	-	1,806,843
Domestic equity	11,226,655	1,499,862	-	12,726,517
International equity	3,383,409	1,278,867	-	4,662,276
Emerging markets equity	1,667,031	-	-	1,667,031
Real assets	2,142,352	-	-	2,142,352
Alternative investments	-	-	6,855,244	6,855,244
Total long-term investments	$ 27,615,205	$ 2,779,629	$ 6,855,244	$ 37,250,078
Beneficial interest in trusts	$ -	$ -	$ 1,084,435	$ 1,084,435

During the years ended June 30, 2014 and 2013, the Organization did not make any transfers between Level 1, Level 2, or Level 3 assets.

The changes in assets, at fair value, for which the Organization has used Level 3 inputs to determine fair value are as follows:

	Alternative Investments	Beneficial Interest in Trusts
June 30, 2013	$ 6,855,244	$ 1,084,435
Gains (losses):		
Realized	256,651	-
Unrealized	685,511	102,806
Purchases/Contributions	901,250	-
Distributions	(605,753)	-
June 30, 2014	$ 8,092,903	$ 1,187,241

	Alternative Investments	Beneficial Interest in Trusts
June 30, 2012	$ 5,593,609	$ 361,017
Gains (losses):		
Realized	464,537	-
Unrealized	309,412	17,112
Purchases/Contributions	718,696	706,306
Distributions	(231,010)	-
June 30, 2013	$ 6,855,244	$ 1,084,435

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
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8. FAIR VALUE MEASUREMENTS…continued

All gains (losses) and net change in unrealized appreciation in the table above are reflected in the accompanying Statement of Activities. Net change in unrealized (losses) gains of investments included in the Statement of Activities for Level 3 investments still held at June 30, 2014 and 2013 is $685,511 and $264,601, respectively.

The following table presents quantitative information about significant unobservable inputs used in Level 3 fair value measurements at June 30, 2014 and 2013:

	2014 Fair Value	2013 Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Beneficial interest in perpetual trusts	$ 596,595	$ 547,011	Market approach based on underlying securities	None	N/A
Beneficial interests in charitable remainder trusts	$ 590,646	$ 537,424	Income approach-discounted cash flow and present value techniques	Discount Rate	4.64% - 7.60% (5.52%)
				Rate of Return	6% (6%)
				Life Expectancy	5.7 years - 20 years (16.53 years)

The assets held in trust are managed by an independent third party trustee, and the Organization has no authority over investment decisions. Thus, they are classified as Level 3 within the fair value hierarchy levels.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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	2014 NAV in Funds	2014 Number of Funds	2014 Dollar Amount of Unfunded Commitments	Redemption Frequency	Redemption Restrictions
Domestic equity	Fund divided into multiple sectors investing in domestic public companies	$ 1,874,423	1	$ -	Monthly	5 day notice
International equity	Global funds, primarily publically traded common stocks and fixed income	1,479,471	1	-	Monthly	6 day notice
Private equity	Venture and buyout, in the U.S. and international	3,948,092	7	2,678,000	N/A*	N/A
Absolute return	Fund of funds which focuses on partnerships investing in publically traded companies	4,144,810	2	-	Annual	90 day notice
		$ 11,446,796	11	$ 2,678,000		

* 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
Years Ended June 30, 2014 and 2013

8. FAIR VALUE MEASUREMENTS…continued

	Strategy	2013 NAV in Funds	2013 Number of Funds	2013 Dollar Amount of Unfunded Commitments	Redemption Frequency	Redemption Restrictions
Domestic equity	Fund divided into multiple sectors investing in domestic public companies	$ 1,499,862	1	$ -	Monthly	5 day notice
International equity	Global funds, primarily publically traded common stocks and fixed income	1,278,867	1	-	Monthly	6 day notice
Private equity	Venture and buyout, in the U.S. and international	3,089,268	5	1,687,500	N/A*	N/A
Absolute return	Fund of funds which focuses on partnerships investing in publically traded companies	3,765,976	2	-	Annual	90 day notice
		$ 9,633,973	9	$ 1,687,500		

* 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
Years Ended June 30, 2014 and 2013

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:

Obligations and Funded Status

	2014	2013
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 6,460,453	$ 6,635,696
Service cost	455,733	474,825
Interest cost	294,127	261,426
Actuarial gain (loss)	846,708	(784,010)
Benefits paid	(53,365)	(83,627)
Expenses paid	(68,144)	(43,857)
Benefit obligation at end of year	7,935,512	6,460,453
Change in plan assets:		
Fair value of plan assets at beginning of year	4,764,332	3,985,220
Actual return on plan assets	792,390	470,096
Employer contributions made prior to measurement date	296,000	436,500
Benefits paid	(53,365)	(83,627)
Expenses paid	(68,144)	(43,857)
Fair value of plan assets at end of year	5,731,213	4,764,332
Funded status of plan at end of year	$ (2,204,299)	$ (1,696,121)
Amounts recognized on statement of financial position:		
Accrued expenses	$ (2,204,299)	$ (1,696,121)
Amounts recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost consist of:		
Net actuarial loss	$ 1,942,114	$ 1,620,869
For pension plans with accumulated benefit obligations in excess of assets at June 30 of the respective years, aggregate amounts were:		
Projected benefit obligations	$ 7,935,512	$ 6,460,453
Accumulated benefit obligations	6,682,253	5,479,447
Plan assets	5,731,213	4,764,332

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

9. PENSION PLAN…continued

Net Periodic Benefit Cost and Other Changes in Unrestricted Net Assets

	2014	2013
Service cost	$ 455,733	$ 474,825
Interest cost	294,127	261,426
Actual return on plan assets	(792,390)	(470,096)
Amortization of unrecognized net gains	79,814	154,815
Deferred asset gain	445,646	181,873
Net periodic benefit cost	482,930	602,843
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	321,245	(1,120,698)
Total amounts recognized as changes in unrestricted net assets arising from the defined benefit plan	$ 804,175	$ (517,855)

Assumptions

	2014	2013
Weighted-average assumptions used in computing ending obligations:		
Discount rate	4.25%	4.75%
Rate of compensation increase	2.75	2.75
Weighted-average assumptions used in computing net cost:		
Discount rate	4.75%	4.25%
Rate of compensation increase	2.75	2.75
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

	Percentage of Plan Assets at June 30,	
Asset Category	2014	2013
Pension plans:		
Equity securities	64%	60%
Debt securities	36	40
	100%	100%

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

9. PENSION PLAN…continued

The following tables are a summary of assets that the Organization measures at fair value on a recurring basis, by level, within the fair value hierarchy at June 30:

	2014			
Asset Class	Total	Quoted Prices Level 1	Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Registered Investment Companies:				
Cash	$ 9,273	$ 9,273	$ -	$ -
Domestic Equity Securities (a)	2,761,672	2,761,672	-	-
International Equity Securities (b)	879,558	879,558	-	-
Domestic Fixed Income (c)	2,080,710	2,080,710	-	-
	$ 5,731,213	$ 5,731,213	$ -	$ -

	2013			
Asset Class	Total	Quoted Prices Level 1	Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Registered Investment Companies:				
Cash	$ 81	$ 81	$ -	$ -
Domestic Equity Securities (a)	2,214,761	2,214,761	-	-
International Equity Securities (b)	700,299	700,299	-	-
Domestic Fixed Income (c)	1,849,191	1,849,191	-	-
	$ 4,764,332	$ 4,764,332	$ -	$ -

(a) This class comprises low-cost, passively managed equity index funds designed to replicate the exposures of the S&P 500, Midcap 400 and Russell 2000 Indices.

(b) This class represents an actively managed international fund designed to beat the performance, net of fees, of the MSCI EAFE Index over a full market cycle.

(c) This class consists of a passively managed fund designed to replicate the exposure of the Barclays U.S. Aggregate Index, a bond index made up of U.S. Treasuries, U.S. government/agency bonds, mortgage backed securities and investment grade corporate bonds. The purpose of this fund is to provide stability to the portfolio as well as income.

The Plan reports the value of its investments in these accounts using quoted market prices. There have been no changes to the valuation methodologies as of June 30, 2014 and 2013.

The Boys and Girls Clubs of Boston, Inc.
Notes to Financial Statements
Years Ended June 30, 2014 and 2013

9. PENSION PLAN…continued

In recognition of the prudence required of fiduciaries, the Organization seeks to attain a reasonable diversification in Pension Plan assets where possible. To achieve its investment objective, the Plan will allocate among several asset classes with a slight bias toward equity and equity-like investments due to their higher long-term return expectations. Other asset classes may be added to the Plan to enhance returns, reduce volatility through diversification, and/or offer a broader investment opportunity set.

The domestic equity segments are intended to provide long-term growth and offer high expected real returns and liquidity. The international equity segment is intended to enhance return and control risk by reducing the Plan's reliance on domestic financial markets. Fixed income provides stability and protection in deflationary environments.

The Plan will be diversified both by and within asset classes. The purpose of diversification is to provide reasonable assurance that no single security, or class of securities, will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced.

The Plan's long-term, strategic asset allocation is as follows:

Domestic equities	48.2%
International equities	15.3%
Fixed income	36.3%
Cash and Cash Equivalents	0.2%

Cash Flows

Employer contributions:	
2013	$ 436,500
2014	296,000
2015	117,065
Benefit payments:	
2013	$ 83,627
2014	53,365

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

2015	$ 157,000
2016	1,024,000
2017	156,000
2018	1,119,000
2019	268,000
2020 - 2024	1,566,000

On June 27, 2014, the Organization voted to freeze the pension plan effective no later than November 1, 2014, and to adopt a defined contribution plan as the principal retirement benefit for employees effective on the date the pension plan is frozen. The above disclosure was prepared assuming the plan would continue.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

10. LINE OF CREDIT

The Organization maintains an operating line of credit, with interest payable based on LIBOR plus two and one half percent. The maximum amount available under the line of credit is $5,000,000 and it expires on May 15, 2015, 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, 2014 and 2013.

Interest expense was $0 and $75 for the years ended June 30, 2014 and 2013, respectively.

11. LAND, BUILDINGS AND EQUIPMENT

	2014	2013
Land	$ 480,275	$ 160,275
Buildings and improvements	45,179,262	44,928,267
Equipment, furniture and fixtures	2,354,928	2,630,374
Construction in Progress	1,053,926	-
	49,068,391	47,718,916
Less - accumulated depreciation	(23,710,989)	(22,603,919)
	$ 25,357,402	$ 25,114,997

Depreciation expense amounted to $1,720,610 and $1,671,718 for the years ended June 30, 2014 and 2013, respectively.

12. 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 $94,222 and $96,216 for the years ended June 30, 2014 and 2013, 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 7.45% and 7.70% of the Organization's total investments as of June 30, 2014 and 2013, respectively.

13. 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.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

14. OPERATING LEASES

The Organization has a variety of operating leases for automobiles, equipment and office space, expiring November 2018. As of June 30, 2014 and 2013, the Organization paid $396,969 and $365,823, respectively for these leases.

The following is a schedule of minimum lease payments as of June 30, 2014 under these lease agreements as of June 30:

2015	$ 407,863
2016	404,068
2017	357,947
2018	33,916
2019	10,727
	$ 1,214,521

15. ENDOWMENT ASSETS

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

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment Funds	$ 4,566,866	$ -	$ -	$ 4,566,866
Donor restricted endowment Funds	-	8,492,315	31,853,838	40,346,153
Total endowment funds	$ 4,566,866	$ 8,492,315	$ 31,853,838	$ 44,913,019

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment Funds	$ 4,152,424	$ -	$ -	$ 4,152,424
Donor restricted endowment Funds	-	4,457,871	28,550,877	33,008,748
Total endowment funds	$ 4,152,424	$ 4,457,871	$ 28,550,877	$ 37,161,172

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

15. ENDOWMENT ASSETS…continued

Changes in endowment net assets for the year ended June 30, 2014 and 2013 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2013	$ 4,152,424	$ 4,457,871	$ 28,550,877	$ 37,161,172
Investment return:				
Net investment income	39,432	344,824	-	384,256
Net realized and unrealized gains	565,909	4,948,705	-	5,514,614
Total investment return	605,341	5,293,529	-	5,898,870
Gifts to endowment and payments on endowment pledges	-	-	3,302,961	3,302,961
Appropriation of endowment income per spending policy	(190,899)	(1,259,085)	-	(1,449,984)
June 30, 2014	$ 4,566,866	$ 8,492,315	$ 31,853,838	$ 44,913,019

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2012	$ 3,859,552	$ 2,151,973	$ 27,368,130	$ 33,379,655
Investment return:				
Net investment income	38,622	304,090	-	342,712
Net realized and unrealized gains	397,561	3,130,149	-	3,527,710
Total investment return	436,183	3,434,239	-	3,870,422
Gifts to endowment and payments on endowment pledges	-	-	1,182,747	1,182,747
Appropriation of endowment income per spending policy	(143,311)	(1,128,341)	-	(1,271,652)
June 30, 2013	$ 4,152,424	$ 4,457,871	$ 28,550,877	$ 37,161,172

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. There were no deficiencies at June 30, 2014 and 2013.

16. BENEFICIAL INTEREST IN CHARITABLE TRUSTS

Beneficial interest in charitable trusts consist of the following at June 30:

	2014	2013
Beneficial interest in perpetual trusts held by third party	$ 596,595	$ 547,011
Charitable remainder annuity trusts held by third party	590,646	537,424
	$ 1,187,241	$ 1,084,435

The Organization is one of the beneficiaries named in various perpetual trusts managed by third party trustees. Under the terms of the trust agreements, the Organization is to receive quarterly or annual distribution payments. During the years ended June 30, 2014 and 2013 the Organization received approximately $28,000 and $7,400, in distributions, respectively.

The Organization is also the beneficiary of charitable remainder trust instruments whereby an independent third party trustee has custody of and manages the assets and the annuities. These assets are recorded net of the present value of the annuity liability.

The net change in the value of the Organization’s beneficial interest in these trusts is recorded as a change in the value of split interest agreements on the statements of activities. This change amounted to $102,806 and $17,112 for the years ended June 30, 2014 and 2013, respectively.

17. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 16, 2014, the date on which the financial statements were available to be issued.