

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF
THE TWIN CITIES FOUNDATION**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2014 AND 2013

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
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YEARS ENDED AUGUST 31, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Boys and Girls Clubs of the Twin Cities and
Boys and Girls Club of the Twin Cities Foundation
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Boys and Girls Clubs of the Twin Cities and Boys and Girls Clubs of the Twin Cities Foundation (nonprofit organizations), which comprise the consolidated balance sheets as of August 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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.

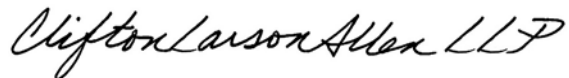
Board of Directors
Boys and Girls Clubs of the Twin Cities and
Boys and Girls Club of the Twin Cities Foundation

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of the Twin Cities and Boys and Girls Clubs of the Twin Cities Foundation as of August 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 10, 2014

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED BALANCE SHEETS
AUGUST 31, 2014 AND 2013**

	2014	2013
ASSETS		
Cash and Cash Equivalents	\$ 674,630	\$ 372,575
Receivables	93,658	169,089
Pledges and Grants Receivable	769,371	879,570
Remainder Trust Receivable	104,000	102,000
Prepaid Expenses	65,215	55,331
Investments	7,755,877	7,031,547
Cash Surrender Value of Life Insurance Policies	98,800	86,400
Community Foundation Funds	185,702	176,733
Fixed Assets - Net	13,704,936	13,372,137
Total Assets	\$ 23,452,189	\$ 22,245,382
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 616,490	\$ 333,301
Deferred Revenue	249,150	178,921
Lines of Credit	150,716	309,780
Notes Payable	957,090	991,904
Total Liabilities	1,973,446	1,813,906
NET ASSETS		
Unrestricted	9,228,195	8,617,957
Unrestricted - Board Designated	103,559	348,999
Subtotal - Unrestricted	9,331,754	8,966,956
Temporarily Restricted	7,436,264	7,079,819
Permanently Restricted	4,710,725	4,384,701
Total Net Assets	21,478,743	20,431,476
Total Liabilities and Net Assets	\$ 23,452,189	\$ 22,245,382

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2014 AND 2013**

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OPERATING				
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions, Including In-Kind Contributions of \$87,876 and \$46,824, Respectively	\$ 2,085,155	\$ 346,118	\$ 20,000	\$ 2,451,273
Contributions - Deepening the Impact	13,300	-	-	13,300
Special Events, Net of Expenses of \$229,466 and \$199,555, Respectively	706,469	-	-	706,469
Grants and Contracts	759,540	4,000	-	763,540
Program Fees	229,141	4,536	-	233,677
Investment Income	502	-	-	502
Change in Value of Split Interest Agreements	-	14,400	-	14,400
Rental Income	18,803	-	-	18,803
Other Income	177	-	-	177
Net Assets Released from Restrictions - Operating	661,402	(661,402)	-	-
Total Revenue, Gains, and Other Support	4,474,489	(292,348)	20,000	4,202,141
EXPENSES				
Program Services	4,004,020	-	-	4,004,020
Support Services:				
Administration	615,209	-	-	615,209
Fundraising	650,905	-	-	650,905
Total Support Services	1,266,114	-	-	1,266,114
Total Expenses	5,270,134	-	-	5,270,134
CHANGE IN NET ASSETS OPERATING	(795,645)	(292,348)	20,000	(1,067,993)
NON-OPERATING				
Change in Value of Community Foundation	-	-	8,969	8,969
Capital Campaign Contributions	-	37,540	-	37,540
Capital Campaign Expenses	(13,707)	-	-	(13,707)
Jerry Gamble All-Star Event Contributions	996,872	43,213	-	1,040,085
Jerry Gamble All-Star Event Expenses	(18,590)	-	-	(18,590)
Gain on Disposal of Assets	2,530	-	-	2,530
Debt Forgiveness	-	-	-	-
Pledge Write-Off	-	-	-	-
Investment Gain	50,088	691,290	317,055	1,058,433
Net Assets Released from Restrictions - Capital	143,250	(123,250)	(20,000)	-
Change in Net Assets Non-Operating	1,160,443	648,793	306,024	2,115,260
TOTAL CHANGE IN NET ASSETS	364,798	356,445	326,024	1,047,267
Net Assets - Beginning of Year	8,966,956	7,079,819	4,384,701	20,431,476
NET ASSETS - ENDING	<u>\$ 9,331,754</u>	<u>\$ 7,436,264</u>	<u>\$ 4,710,725</u>	<u>\$ 21,478,743</u>

See accompanying Notes to Consolidated Financial Statements.

2013

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,055,844	\$ 304,491	\$ 10,734	\$ 2,371,069
-	-	-	-
701,046	23,800	-	724,846
865,338	-	-	865,338
218,069	4,991	-	223,060
152	-	-	152
-	20,200	-	20,200
20,090	-	-	20,090
116	-	-	116
<u>653,234</u>	<u>(653,234)</u>	<u>-</u>	<u>-</u>
4,513,889	(299,752)	10,734	4,224,871
3,881,220	-	-	3,881,220
569,124	-	-	569,124
646,563	-	-	646,563
<u>1,215,687</u>	<u>-</u>	<u>-</u>	<u>1,215,687</u>
<u>5,096,907</u>	<u>-</u>	<u>-</u>	<u>5,096,907</u>
(583,018)	(299,752)	10,734	(872,036)
-	-	14,585	14,585
-	48,605	-	48,605
(4,978)	-	-	(4,978)
-	-	-	-
-	(40,334)	-	(40,334)
26,769	519,108	146,092	691,969
163,017	(153,017)	(10,000)	-
<u>184,808</u>	<u>374,362</u>	<u>150,677</u>	<u>709,847</u>
(398,210)	74,610	161,411	(162,189)
<u>9,365,166</u>	<u>7,005,209</u>	<u>4,223,290</u>	<u>20,593,665</u>
<u>\$ 8,966,956</u>	<u>\$ 7,079,819</u>	<u>\$ 4,384,701</u>	<u>\$ 20,431,476</u>

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED AUGUST 31, 2014 AND 2013**

	2014				
	Support Services				Total
	Program Services	Administration	Fundraising	Total Support Services	
OPERATING					
Salaries and Wages	\$ 1,666,042	\$ 353,758	\$ 393,035	\$ 746,793	\$ 2,412,835
Payroll Taxes	125,512	25,633	40,640	66,273	191,785
Benefits	240,051	57,949	31,925	89,874	329,925
Total Personnel Costs	<u>2,031,605</u>	<u>437,340</u>	<u>465,600</u>	<u>902,940</u>	<u>2,934,545</u>
Utilities	275,904	9,281	16,268	25,549	301,453
Supplies	278,172	13,967	10,627	24,594	302,766
In-Kind Program Incentives	56,436	-	-	-	56,436
Insurance	111,399	5,983	6,752	12,735	124,134
Professional Fees	81,548	63,836	52,123	115,959	197,507
Maintenance and Repairs	115,343	18,184	7,003	25,187	140,530
Interest Expense	33,346	16,049	13,095	29,144	62,490
Staff Training	1,174	2,333	2,215	4,548	5,722
National and Regional Dues	39,778	576	1,271	1,847	41,625
Telephone	45,931	4,228	7,391	11,619	57,550
Rent	23,117	-	-	-	23,117
In-Kind Rent	74,720	-	-	-	74,720
Travel	69,453	15,906	11,939	27,845	97,298
Postage and Printing	20,309	5,664	43,608	49,272	69,581
Scholarships	5,875	-	-	-	5,875
Other	322	3,651	3,398	7,049	7,371
Total Before Depreciation	<u>3,264,432</u>	<u>596,998</u>	<u>641,290</u>	<u>1,238,288</u>	<u>4,502,720</u>
Depreciation	739,588	18,211	9,615	27,826	767,414
Total Operating	<u>4,004,020</u>	<u>615,209</u>	<u>650,905</u>	<u>1,266,114</u>	<u>5,270,134</u>
NON-OPERATING					
Bad Debt Expense	-	-	-	-	-
Other	32,297	-	-	-	32,297
Total Non-Operating	<u>32,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,297</u>
SUBTOTAL BEFORE SPECIAL EVENTS	4,036,317	615,209	650,905	1,266,114	5,302,431
Special Events	-	-	229,466	229,466	229,466
Total	<u>\$ 4,036,317</u>	<u>\$ 615,209</u>	<u>\$ 880,371</u>	<u>\$ 1,495,580</u>	<u>\$ 5,531,897</u>

See accompanying Notes to Consolidated Financial Statements.

2013

Support Services				
Program Services	Administration	Fundraising	Total Support Services	Total
\$ 1,607,254	\$ 323,069	\$ 421,202	\$ 744,271	\$ 2,351,525
126,332	23,274	37,081	60,355	186,687
257,130	49,757	41,935	91,692	348,822
1,990,716	396,100	500,218	896,318	2,887,034
257,271	11,189	12,672	23,861	281,132
197,281	17,680	6,167	23,847	221,128
44,924	-	-	-	44,924
103,099	6,416	7,475	13,891	116,990
110,429	57,690	35,613	93,303	203,732
101,724	11,325	9,515	20,840	122,564
34,825	19,524	10,016	29,540	64,365
3,049	755	1,333	2,088	5,137
35,391	604	672	1,276	36,667
48,936	5,681	8,153	13,834	62,770
22,868	-	-	-	22,868
74,720	-	-	-	74,720
57,651	13,824	10,860	24,684	82,335
19,391	5,981	30,525	36,506	55,897
23,816	-	-	-	23,816
1,226	390	3,823	4,213	5,439
3,127,317	547,159	637,042	1,184,201	4,311,518
753,903	21,965	9,521	31,486	785,389
3,881,220	569,124	646,563	1,215,687	5,096,907
-	40,334	-	40,334	40,334
5,103	-	(125)	(125)	4,978
5,103	40,334	(125)	40,209	45,312
3,886,323	609,458	646,438	1,255,896	5,142,219
-	-	199,555	199,555	199,555
<u>\$ 3,886,323</u>	<u>\$ 609,458</u>	<u>\$ 845,993</u>	<u>\$ 1,455,451</u>	<u>\$ 5,341,774</u>

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,067,993)	\$ (872,036)
Adjustments to Reconcile Change in Operating Net Assets to Cash Provided (Used) by Operating Activities:		
Net Non-Operating Activity	2,115,260	709,847
Depreciation	767,414	785,389
Amortization of Donated Building Lease	74,720	74,720
Donated Fixed Assets	(30,117)	(1,900)
Gain on Disposal of Fixed Assets	(2,530)	-
Realized Gain on Investments	(48,985)	(194,609)
Unrealized Gain on Investments	(898,731)	(358,615)
Change in Cash Surrender Value of Life Insurance Policies	(12,400)	(12,200)
Change in Value of Remainder Trust Receivable	(2,000)	(8,000)
Change in Value of Community Foundation Assets	(8,969)	(14,585)
Contributions for Long-Term Purposes	(37,540)	(48,605)
Change in Present Value Discount on Pledges and Grants Receivable	7,540	13,588
(Increases) Decreases in Current Assets:		
Receivables	75,431	(38,181)
Pledges and Grants Receivable	(60,711)	(174,114)
Prepaid Expenses and Other Current Assets	(9,884)	22,948
Increases (Decreases) in Current Liabilities:		
Accounts Payable and Accrued Expenses	283,189	(482,090)
Deferred Revenue and Advances	70,229	(88,540)
Net Cash Provided (Used) by Operating Activities	1,213,923	(686,983)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Marketable Securities	(250,082)	(2,568,777)
Sales of Marketable Securities	473,468	2,580,557
Purchases of Fixed Assets	(1,142,286)	(15,731)
Net Cash Used by Investing Activities	(918,900)	(3,951)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Notes Payable	(158,020)	(91,837)
Proceeds from Long-Term Debt	123,206	327,235
Contributions for Long-Term Purposes	200,910	215,096
Net Change in Line of Credit	(159,064)	200,000
Net Cash Provided by Financing Activities	7,032	650,494
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	302,055	(40,440)
Cash and Cash Equivalents - Beginning	372,575	413,015
CASH AND CASH EQUIVALENTS - ENDING	\$ 674,630	\$ 372,575
SUPPLEMENTAL INFORMATION		
Donated Fixed Assets	\$ 30,117	\$ 1,900
Cash Paid for Interest	\$ 62,490	\$ 64,365
Refinancing of Debt	\$ 740,000	\$ -

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Activities

Boys and Girls Clubs of the Twin Cities (the Clubs) is a not-for-profit organization which provides programs to build character for boys and girls, ages 6 through 18. These programs are provided through eight urban Twin Cities youth facilities and one camp facility located outside of the Twin Cities metropolitan area. Substantially all of the Clubs' activities are financed by public support.

Boys and Girls Club of the Twin Cities Foundation (the Foundation) was incorporated to, among other matters, advance, support and promote the growth and development of the Clubs. In January 1986, the Clubs transferred all assets of the Living Memorial Endowment Fund and the Boys and Girls Clubs of Minneapolis Endowment Fund to the Foundation. In March 1998, the Clubs transferred \$98,113 to the Foundation to be used to fund scholarships. The Foundation has agreed to abide by all restrictions imposed by the donors as to the use of these funds and the related investment income.

All members of the Foundation's Board of Directors are also members of the Clubs' Board of Directors. Because of this common control of the two entities, the accompanying financial statements present the balance sheet and activities of the Clubs and the Foundation on a consolidated basis.

The consolidated financial statements include the accounts of the Clubs and the Foundation (collectively referred to as the Organization). All significant inter-fund transactions have been eliminated.

Basis of Presentation

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation or related investments for unrestricted or temporarily restricted purposes.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Operating Income and Expense

Non-operating income and expense includes the investment income of the Foundation, the change in value of community foundation funds, gain or loss on disposal of assets, and capital campaign activities.

In the year ended August 31, 2014, the Organization received over \$1,000,000 in capital funds to renovate the old pool area into a multipurpose sports and arts space at the Jerry Gamble Club. This capital project was done in conjunction with the 2014 Major League Baseball (MLB) All-Star Game held in the Twin Cities.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash deposits, receivables, and investments. The Organization maintains cash reserves and cash balances in one financial institution. At times, the amounts on deposit may exceed federally insured limits. With respect to investments, the Organization places its investments with one financial institution.

At August 31, 2014, approximately 78% of the pledges and grants receivable balance was attributed to five contributors. At August 31, 2013, approximately 68% of the pledges and grants receivable balance was attributed to three contributors.

For the year ended August 31, 2014, approximately 30% of the contributions revenue was received from two contributors. For the year ended August 31, 2013, approximately 12% of the contributions revenue was received from one contributor.

Cash and Cash Equivalents

The Organization considers all highly liquid securities purchased with an original maturity of 90 days or less to be cash equivalents.

Accounts Receivable

Receivables are recorded at their net realizable value. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. An allowance is provided for accounts when a significant pattern of uncollectibility has occurred. No allowance for bad debts was recorded at August 31, 2014 and 2013.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges and Grants Receivable

Pledges and grants that are expected to be collected within one year are recorded at their net realizable value. Grants and pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until such time as the conditions are substantially met. An allowance of \$50,000 and \$75,000 for bad debts was recorded at August 31, 2014 and 2013, respectively.

Remainder Trust Receivable

Charitable remainder trusts are recognized as temporarily restricted revenue and as a receivable at the present value of the estimated future benefits to be received when the trust assets are distributed. Any changes in the value of the trust agreements will be reported as a change in the value of trust agreements. One charitable remainder trust has been recorded at present value of approximately \$104,000 and \$102,000 at August 31, 2014 and 2013, respectively. The present value has been discounted at 7.25%.

Investments

The Organization carries its investments at market value and realized and unrealized gains and losses are reflected in the consolidated statements of activities. Mutual funds, real estate and complementary strategies consist of equities mutual funds, real estate funds and alternative funds carried at quoted market values. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

Capitalization Policy and Depreciation

The Organization capitalizes land, buildings and equipment in excess of \$1,000 cost per item. Facilities that are leased for rent below market rate are recorded at fair value and are recorded in temporarily restricted net assets. Donated fixed assets are capitalized at their fair market value or appraised value. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted. Costs of current repairs and minor replacements are charged to expense as incurred.

The Organization provides for depreciation of buildings and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and Leasehold Improvements	15 – 30 Years
Donated Building Use and Land Leases	50 Years
Furniture and Equipment	5 – 10 Years
Software	3 Years
Vehicles	4 Years

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue consists of sponsorships and ticket revenue received in advance of the Benefit.

Governmental Grants and Contracts

Governmental grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Expenditures under governmental contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Contributions

Contributions, unconditional promises to give (pledges receivable), and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. It is the Organization's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class.

Donated Goods and Services

Donated goods and services are valued at their fair market value and are presented as revenue and offsetting program costs.

Functional Expenses

The costs of programs and supporting services have been summarized on a functional basis. Salaries and related expenses are allocated to program and supporting services based on estimated time spent on each program. The remaining expenses are specifically allocated whenever practical and, when this is impractical, are allocated based on the best estimates of management and the board of directors.

Income Tax Status

Both organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. The Internal Revenue Service determined the organizations are not private foundations. The organizations are public charities and contributions to the organizations qualify as charitable tax deductions by the contributor.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

The Organization follows guidance in the Accounting for Uncertainty in Income Taxes Standard. The Organization has no current obligation for unrelated business income tax.

The Organization's tax returns are subject to review and examination by federal and state authorities. The tax returns for the years 2011 to 2013 are open to examination by federal and state authorities.

Fair Value Measurement

The Organization accounts for its investments at fair value. The Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes long/short funds, private equity, venture capital, hedge fund, and real assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 10, 2014, the date the consolidated financial statements were available to be issued.

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NOTE 2 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consist of the following at August 31:

2014	Clubs	Foundation	Total
Pledges and Grants Receivable Due			
Within One Year	\$ 738,800	\$ -	\$ 738,800
Pledges and Grants Receivable Due			
Within One to Five Years	90,000	-	90,000
Gross Pledges and Grants Receivable	828,800	-	828,800
Present Value Discount - 5%	(9,429)	-	(9,429)
Allowance for Uncollectible Pledges	(50,000)	-	(50,000)
Net Pledges and Grants Receivable	<u>\$ 769,371</u>	<u>\$ -</u>	<u>\$ 769,371</u>
2013	Clubs	Foundation	Total
Pledges and Grants Receivable Due			
Within One Year	\$ 821,539	\$ -	\$ 821,539
Pledges and Grants Receivable Due			
Within One to Five Years	150,000	-	150,000
Gross Pledges and Grants Receivable	971,539	-	971,539
Present Value Discount - 5%	(16,969)	-	(16,969)
Allowance for Uncollectible Pledges	(75,000)	-	(75,000)
Net Pledges and Grants Receivable	<u>\$ 879,570</u>	<u>\$ -</u>	<u>\$ 879,570</u>

NOTE 3 INVESTMENTS

Investments consist of the following at August 31:

2014	Clubs	Foundation	
		Cost	Market
Bonds and Bond Mutual Funds	\$ -	\$ 1,801,333	\$ 1,865,215
Mutual Funds - Equities	-	3,144,544	4,660,532
Real Estate Funds	-	342,630	407,903
Complementary Strategies	-	778,797	822,227
Total Investments	<u>\$ -</u>	<u>\$ 6,067,304</u>	<u>\$ 7,755,877</u>
2013	Clubs	Foundation	
		Cost	Market
Bonds and Bond Mutual Funds	\$ -	\$ 1,890,044	\$ 1,902,207
Mutual Funds - Equities	-	3,267,835	4,002,935
Real Estate Funds	-	307,614	339,944
Complementary Strategies	-	776,076	786,461
Total Investments	<u>\$ -</u>	<u>\$ 6,241,569</u>	<u>\$ 7,031,547</u>

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NOTE 3 INVESTMENTS (CONTINUED)

Investment revenue consists of the following at August 31:

	2014		
	Clubs	Foundation	Total
Interest and Dividends	\$ 502	\$ 173,477	\$ 173,979
Realized Gains	-	48,985	48,985
Unrealized Gains	-	898,731	898,731
Gross Investment Income	502	1,121,193	1,121,695
Less: Investment Fee Expenses	-	(62,760)	(62,760)
Net Investment Income	<u>\$ 502</u>	<u>\$ 1,058,433</u>	<u>\$ 1,058,935</u>
	2013		
	Clubs	Foundation	Total
Interest and Dividends	\$ 152	\$ 197,236	\$ 197,388
Realized Gains	-	194,609	194,609
Unrealized Gains	-	358,615	358,615
Gross Investment Income	152	750,460	750,612
Less: Investment Fee Expenses	-	(58,491)	(58,491)
Net Investment Income	<u>\$ 152</u>	<u>\$ 691,969</u>	<u>\$ 692,121</u>

All investment income of the Clubs is included in operating income, and all investment income of the Foundation is included in non-operating income.

NOTE 4 FIXED ASSETS

Fixed assets consist of the following at August 31:

	2014	2013
	Clubs	Clubs
Land and Improvements	\$ 539,303	\$ 519,353
Building and Leasehold Improvements	16,758,934	15,733,746
Donated Building Use and Land Lease	2,918,328	2,993,048
Furniture and Equipment	2,849,727	2,752,227
Subtotal	23,066,292	21,998,374
Accumulated Depreciation	(9,361,356)	(8,626,237)
Fixed Assets, Net	<u>\$ 13,704,936</u>	<u>\$ 13,372,137</u>

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NOTE 5 NOTES PAYABLE AND LINE OF CREDIT

The following schedule of notes payable reflects the current value of outstanding loans at August 31:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Mortgage loan - \$540,843, fixed interest at 5.85%. Monthly principal and interest payments of \$5,986 for 59 months and one balloon payment at time of maturity. Loan secured by property. Loan was refinanced during the year ended August 31, 2014.	\$ -	\$ 386,464
Note Payable - \$375,712, fixed interest at 5.85%. Monthly principal and interest payments of \$3,500 for 59 months and one balloon payment at time of maturity. Loan secured by property and equipment. Note was refinanced during the year ended August 31, 2014.	-	299,185
Note Payable - \$740,000 fixed interest at 4.05%. Monthly principal and interest payments of \$5,515 for 59 months and one balloon payment at time of maturity. Loan secured by property and equipment. Note matures on July 16, 2019.	737,066	-
Note Payable - \$327,235, fixed interest at 5.00%; unsecured. Monthly principal and interest payments of \$8,328 for 43 months. Note matures on December 31, 2016.	<u>220,024</u>	<u>306,255</u>
Total	<u>\$ 957,090</u>	<u>\$ 991,904</u>

The future annual debt payments consist of the following:

<u>Year</u>	<u>Amount</u>
2015	\$ 128,031
2016	134,215
2017	73,096
2018	41,784
2019	<u>579,964</u>
Total	<u>\$ 957,090</u>

The Organization entered into a business line of credit agreement with a limit of \$250,000. Effective May 22, 2014, this agreement was renewed and expires on January 31, 2016. Interest on the line of credit is the financial institution's index plus 1.00%, with an interest rate of no less than 4.5% (4.5% at August 31, 2014) and is secured by a mortgage on certain property. Outstanding balance was \$150,716 and \$200,000 at August 31, 2014 and 2013, respectively.

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NOTE 5 NOTES PAYABLE AND LINE OF CREDIT (CONTINUED)

In 2012 the Organization entered into a business line of credit with a limit of \$300,000. This agreement expired on January 26, 2012 and was not renewed. There was an outstanding balance of \$-0- and \$109,780 at August 31, 2014 and 2013, respectively.

NOTE 6 LEASES

On August 1, 1993, the City of St. Paul and the Boys and Girls Clubs entered into a 30-year lease with the option to renew the lease for two successive terms of 10 years for land for the East Side Club. The yearly rental rate is \$1. The fair value of this land was appraised at \$1,130,000. The value of the land usage had been recorded at fair market value at the date of donation and is being amortized over the 50-year lease term. Accumulated amortization as of August 31, 2014 and 2013 was \$476,482 and \$453,882, respectively. Rent expense was \$22,600 for 2014 and 2013.

On June 1, 1996, the Organization entered into a lease with the City of St. Paul for land for the West Side Club. The lease is a 30-year lease with the option to renew for two successive terms of 10 years. The yearly rental rate is \$1. The fair value of the property had been appraised at \$606,000. The value of the land usage has been recorded at fair market value and is being amortized over the 50-year term. Accumulated amortization as of August 31, 2014 and 2013 was \$221,190 and \$209,070, respectively. Rent expense was \$12,120 for 2014 and 2013.

During the year ended August 31, 2012, the Organization entered into a lease with the City of St. Paul for the building for the Mount Airy Club and Administrative Center. The lease is a 30-year lease with the option to renew for two successive terms of 10 years. The yearly rental rate is \$1. The fair value of the property had been estimated at \$2,000,000. The value of the building usage had been reflected as in-kind revenue in 2012 at its fair market value and is being amortized over the 50-year lease term. Accumulated amortization as of August 31, 2014 and 2013 was \$120,000 and \$80,000, respectively. Rent expense was \$40,000 for 2014 and 2013.

On July 1, 2014, the Organization entered into a ten-year lease with the City of Minneapolis for the Phelps Park Building with an option to renew for two successive terms of five years each. The yearly rental rate is \$23,000 and can be adjusted every year based on the consumer price index. Rent expense was \$20,000 in 2014 and 2013.

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NOTE 6 LEASES (CONTINUED)

The Organization also has several operating equipment leases. Minimum lease payments under space and equipment leases are as follows for the years ending August 31:

<u>Year</u>	<u>Amount</u>
2015	\$ 37,896
2016	30,613
2017	25,944
2018	25,944
2019	25,653
Thereafter	113,083
Total	<u>\$ 259,133</u>

Lease Income

Starting in May 2012, the Organization signed a sublease and started collecting rental payments from a tenant with commitment signed through April 2015. Future rental minimal lease payments are \$900 a month.

NOTE 7 EMPLOYEE BENEFIT PLAN

The Clubs offer a tax-deferred annuity 403(b) plan to all eligible employees under which eligible employees may contribute 25% of their salary not to exceed annual IRS limitations. The Clubs matches \$.50 for every \$1.00 of employee contributions up to 3% of the employees' salary plus a basic contribution of 3% of employees' salaries. The 3% basic contribution was suspended in January 2013. All employee contributions are fully vested. The Clubs' contributions vest 20% per year of eligible service after two years. Full vesting occurs after five years of eligible service. The pension expense was \$26,669 and \$54,872 for the years ended August 31, 2014 and 2013, respectively.

NOTE 8 NET ASSETS

Unrestricted - Board Designated

The board of directors have designated by board action, \$103,559 and \$73,015 to be used for scholarships and \$-0- and \$275,984 for future year operating reserves in 2014 and 2013, respectively.

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NOTE 8 NET ASSETS (CONTINUED)

Temporarily Restricted

Net assets temporarily restricted consist of the following donor restrictions:

	2014		
	Clubs	Foundation	Total
Donated Building Lease	\$ 2,918,328	\$ -	\$ 2,918,328
Donor Advisory Fund	-	3,230,596	3,230,596
Charitable Remainder Trust	104,000	-	104,000
Voyageur Camp Operations	137,797	-	137,797
Capital Campaign Contributions	170,957	-	170,957
Other Time and Program Restrictions	433,978	440,608	874,586
Total	<u>\$ 3,765,060</u>	<u>\$ 3,671,204</u>	<u>\$ 7,436,264</u>

	2013		
	Clubs	Foundation	Total
Donated Building Lease	\$ 2,993,048	\$ -	\$ 2,993,048
Donor Advisory Fund	-	2,942,638	2,942,638
Charitable Remainder Trust	102,000	-	102,000
Voyageur Camp Operations	139,547	-	139,547
Capital Campaign Contributions	256,666	-	256,666
Other Time and Program Restrictions	357,962	287,958	645,920
Total	<u>\$ 3,849,223</u>	<u>\$ 3,230,596</u>	<u>\$ 7,079,819</u>

Net Assets Released from Restrictions

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

	2014		
	Clubs	Foundation	Total
Land Usage	\$ 74,720	\$ -	\$ 74,720
Other Time and Program Restrictions	323,600	263,082	586,682
Subtotal - Operating	398,320	263,082	661,402
Capital Campaign Expenses	13,707	-	13,707
Capital Campaign - Capital Expenditures	129,543	-	129,543
Subtotal - Capital Campaign	143,250	-	143,250
Total Releases	<u>\$ 541,570</u>	<u>\$ 263,082</u>	<u>\$ 804,652</u>

	2013		
	Clubs	Foundation	Total
Land Usage	\$ 74,720	\$ -	\$ 74,720
Other Time and Program Restrictions	354,325	224,189	578,514
Subtotal - Operating	429,045	224,189	653,234
Capital Campaign Expenses	45,313	-	45,313
Capital Campaign - Capital Expenditures	117,704	-	117,704
Subtotal - Capital Campaign	163,017	-	163,017
Total Releases	<u>\$ 592,062</u>	<u>\$ 224,189</u>	<u>\$ 816,251</u>

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NOTE 8 NET ASSETS (CONTINUED)

Permanently Restricted

Permanently restricted net assets consist of the following funds at August 31:

	<u>2014</u>	<u>Clubs</u>	<u>Foundation</u>	<u>Total</u>
Scholarship		\$ 65,580	\$ 418,931	\$ 484,511
1971 Trust		-	75,050	75,050
Jay and Rose Phillips Endowment		-	500,000	500,000
Fiterman Endowment		-	200,000	200,000
Living Memorial 1965 Trust		-	3,265,462	3,265,462
Community Foundation (Note 14)		-	185,702	185,702
Total		<u>\$ 65,580</u>	<u>\$ 4,645,145</u>	<u>\$ 4,710,725</u>

	<u>2013</u>	<u>Clubs</u>	<u>Foundation</u>	<u>Total</u>
Scholarship		\$ 85,580	\$ 398,931	\$ 484,511
1971 Trust		-	75,050	75,050
Jay and Rose Phillips Endowment		-	500,000	500,000
Fiterman Endowment		-	200,000	200,000
Living Memorial 1965 Trust		-	2,948,407	2,948,407
Community Foundation (Note 14)		-	176,733	176,733
Total		<u>\$ 85,580</u>	<u>\$ 4,299,121</u>	<u>\$ 4,384,701</u>

Income on the above funds is to be used for scholarships and operations.

Changes in Net Assets

Changes in net assets consist of the following at August 31:

	<u>2014</u>		
	<u>Clubs</u>	<u>Foundation</u>	<u>Total</u>
Unrestricted	\$ 714,694	\$ (349,896)	\$ 364,798
Temporarily Restricted	(84,163)	440,608	356,445
Permanently Restricted	(20,000)	346,024	326,024
Total	<u>\$ 610,531</u>	<u>\$ 436,736</u>	<u>\$ 1,047,267</u>

	<u>2013</u>		
	<u>Clubs</u>	<u>Foundation</u>	<u>Total</u>
Unrestricted	\$ (424,734)	\$ 26,524	\$ (398,210)
Temporarily Restricted	(232,509)	307,119	74,610
Permanently Restricted	(10,000)	171,411	161,411
Total	<u>\$ (667,243)</u>	<u>\$ 505,054</u>	<u>\$ (162,189)</u>

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NOTE 9 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis at August 31:

	2014			Total
	Level 1	Level 2	Level 3	
Investments:				
Bonds and Bond Mutual Funds	\$ 1,642,987	\$ 222,228	\$ -	\$ 1,865,215
Mutual Funds - Equities	4,660,532	-	-	4,660,532
Real Estate Securities	407,903	-	-	407,903
Complementary Strategies	822,227	-	-	822,227
Subtotal Investments	7,533,649	222,228	-	7,755,877
Community Foundation Funds	-	-	185,702	185,702
Remainder Trust Receivable	-	-	104,000	104,000
Total	<u>\$ 7,533,649</u>	<u>\$ 222,228</u>	<u>\$ 289,702</u>	<u>\$ 8,045,579</u>
	2013			Total
	Level 1	Level 2	Level 3	
Investments:				
Bonds and Bond Mutual Funds	\$ 1,580,646	\$ 321,561	\$ -	\$ 1,902,207
Mutual Funds - Equities	4,002,935	-	-	4,002,935
Real Estate Securities	339,944	-	-	339,944
Complementary Strategies	786,461	-	-	786,461
Subtotal Investments	6,709,986	321,561	-	7,031,547
Community Foundation Funds	-	-	176,733	176,733
Remainder Trust Receivable	-	-	102,000	102,000
Total	<u>\$ 6,709,986</u>	<u>\$ 321,561</u>	<u>\$ 278,733</u>	<u>\$ 7,310,280</u>

Level 3 Assets

The following tables provide summary of changes in fair value of the Organization's Level 3 financial assets for the years ended August 31:

	2014		
	Remainder Trust Receivable	Community Foundation Funds	Total
Balance as of September 1, 2013	\$ 102,000	\$ 176,733	\$ 278,733
Investment Activity:			
Investment Income	-	11,981	11,981
Interest and Dividends	-	5,633	5,633
Change in Value of Remainder Trust	2,000	-	2,000
Disbursements:			
Grants Paid	-	(7,093)	(7,093)
Administrative Fees	-	(1,074)	(1,074)
Investment Expenses	-	(478)	(478)
Balance as of August 31, 2014	<u>\$ 104,000</u>	<u>\$ 185,702</u>	<u>\$ 289,702</u>

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NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets (Continued)

	2013		Total
	Remainder Trust Receivable	Community Foundation Funds	
Balance as of September 1, 2012	\$ 94,000	\$ 162,148	\$ 256,148
Investment Activity:			
Investment Loss	-	2,835	2,835
Interest and Dividends	-	20,875	20,875
Change in Value of Remainder Trust	8,000	-	8,000
Disbursements:			
Grants Paid	-	(7,294)	(7,294)
Administrative Fees	-	(1,109)	(1,109)
Investment Expenses	-	(722)	(722)
Balance as of August 31, 2013	<u>\$ 102,000</u>	<u>\$ 176,733</u>	<u>\$ 278,733</u>

NOTE 10 ENDOWMENTS

The Organization has donor restricted endowment funds established for the purpose of securing the Organization's long-term financial viability and continuing to meet the operational needs of the Organization. As required by U.S. general accepted accounting principles, net assets of the endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The board of directors of both organizations have interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment funds 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 in UPMIFA.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy called Balanced: Appreciation Biased. This strategy places a primary emphasis on potential capital appreciation through the use of a diversified selection of stocks and a very important secondary emphasis on current income through the use of bonds and stock dividends.

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NOTE 10 ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Clubs' programs supported by its endowments 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). Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to generate a total return which exceeds the annual payout to the Clubs plus reasonable expenses for custody and investment management plus the rate of inflation as measured by CPI over a market cycle.

Spending Policy

The spending rates are based on the specific endowment agreement made between the donor and the Organization and any subsequent donor gifts. The spending rates are as follows:

- Living Memorial 1965 Trust – Net Income only
- 1971 Trust – Discretion of the Foundation Board
- Jay & Rose Philips Endowment – Net income only when account value is > \$500,000
- Scholarship Fund – Discretion of the Foundation Board
- Mark & Mary Goff-Fiterman Endowment – Net Income only

This is consistent with the Organization's objective to generate a total return which exceeds the annual payout to the Clubs plus reasonable expenses for custody and investment management plus the rate of inflation as measured by CPI over a market cycle.

Changes in endowment net assets for the years ended August 31 were as follows:

<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Endowment Net Assets, September 1, 2013	\$ 36,205	\$ 454,214	\$ 4,299,121	\$ 4,789,540
Investment Return:				
Investment Income	1,273	80,233	-	81,506
Net Realized and Unrealized Gains	51,145	101,690	317,055	469,890
Total Investment Return	52,418	181,923	317,055	551,396
Contributions	-	-	20,000	20,000
Change in Value of Community Foundation Funds	-	-	8,969	8,969
Change in Value of Split Interest	-	12,200	-	12,200
Appropriations of Endowment				
Assets for Expenditure	-	(113,477)	-	(113,477)
Endowment Net Assets, August 31, 2014	<u>\$ 88,623</u>	<u>\$ 534,860</u>	<u>\$ 4,645,145</u>	<u>\$ 5,268,628</u>

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NOTE 10 ENDOWMENTS (CONTINUED)

Spending Policy (Continued)

<u>2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
Endowment Net Assets, September 1, 2012	\$ 11,922	\$ 395,967	\$ 4,127,710	\$ 4,535,599
Investment Return:				
Investment Income	4,782	83,519	-	88,301
Net Realized and Unrealized Gains	24,875	59,665	146,092	230,632
Total Investment Return	29,657	143,184	146,092	318,933
Contributions	49,093	-	10,734	59,827
Change in Value of Community Foundation Funds	-	-	14,585	14,585
Change in Value of Split Interest	-	12,200	-	12,200
Appropriations of Endowment				
Assets for Expenditure	(54,467)	(97,137)	-	(151,604)
Endowment Net Assets, August 31, 2013	<u>\$ 36,205</u>	<u>\$ 454,214</u>	<u>\$ 4,299,121</u>	<u>\$ 4,789,540</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$-0- as of August 31, 2014 and 2013. These deficiencies resulted from unfavorable market fluctuations in the endowment fund's investments and continued appropriations that were deemed prudent by the board of directors.

NOTE 11 DONATED GOODS AND SERVICES

Donated materials and services have been valued at their estimated fair value. The value of donated materials and services included in the financial statements and the corresponding expenditures are as follows:

	<u>2014</u>		
	<u>Clubs</u>	<u>Foundation</u>	<u>Total</u>
In-Kind Revenue (Contributions):			
Donated Supplies and Tickets	\$ 57,759	\$ -	\$ 57,759
Donated Fixed Assets	30,117	-	30,117
	<u>\$ 87,876</u>	<u>\$ -</u>	<u>\$ 87,876</u>
In-Kind Expenses:			
Program Supplies and Tickets	\$ 57,759	\$ -	\$ 57,759
Rent (See Note 6)	74,720	-	74,720
	<u>\$ 132,479</u>	<u>\$ -</u>	<u>\$ 132,479</u>

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

NOTE 11 DONATED GOODS AND SERVICES (CONTINUED)

	2013		
	Clubs	Foundation	Total
In-Kind Revenue (Contributions):			
Donated Supplies and Tickets	\$ 44,774	\$ -	\$ 44,774
Donated Fixed Assets	1,900	-	1,900
Donated Services	150	-	150
	<u>\$ 46,824</u>	<u>\$ -</u>	<u>\$ 46,824</u>
In-Kind Expenses:			
Program Supplies and Tickets	\$ 44,774	\$ -	\$ 44,774
Rent (See Note 6)	74,720	-	74,720
	<u>\$ 119,494</u>	<u>\$ -</u>	<u>\$ 119,494</u>

NOTE 12 INTER-COMPANY LOAN

The Foundation provided a line of credit of \$400,000 which was to be paid off in its entirety at least once a year, then in 2005 loaned an additional \$65,000 to the Club. The year-end outstanding balance as of August 31, 2013 was \$465,000. In April 2014, the Foundation Board determined that the use of the funds to support the general operating expenses of the Club was in line with their granting policies and agreed to forgive both loans. The year-end outstanding balance as of August 31, 2014, was \$-0-.

NOTE 13 RELATED PARTIES

The Clubs are required to pay dues to the National Boys and Girls Clubs. The dues for 2014 and 2013 were \$15,900 and \$15,036, respectively. The Clubs also received \$123,092 and \$78,826 of grants from the National organization in 2014 and 2013, respectively. The Clubs also paid dues to the Boys and Girls Clubs of Minnesota Alliance of \$23,196 and \$21,749 in 2014 and 2013, respectively.

In 2010, the Boys and Girls Clubs of Minnesota Alliance received a \$1.0875 million two-year grant from the State of Minnesota for workforce development. The Clubs are serving as administrator of the grant for the Alliance, and is responsible for disbursing funds to the Alliance members as expenses are incurred. In 2014 and 2013, the Clubs received a \$35,625 and \$21,563 payment, respectively, from the Alliance as reimbursement for administering the grant to all of the Clubs.

For the years ended August 31, 2014 and 2013, pledges totaling \$251,550 and \$430,000, respectively, were outstanding from Board members of the Organization.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

NOTE 14 COMMUNITY FOUNDATION FUNDS

The St. Paul Foundation holds and administers funds totaling \$1,261,805 and \$1,173,487 for the years ended August 31, 2014 and 2013, respectively, of donor advised contributions from individuals to the St. Paul Foundation for the benefit of the Boys and Girls Clubs of the Twin Cities. The Organization's agreement with the foundation requires that the principal be maintained in four separate advised funds with the income available for distribution to Boys and Girls Clubs of the Twin Cities subject to the Foundation's Board of Trustees approval and subject to their "variance powers" to redirect such gifts.

The four funds held assets as of September 30 as follows:

	2014	2013
Camping Scholarships	\$ 136,449	\$ 126,388
Endowment Fund	755,380	699,680
Facilities Maintenance Fund	184,274	170,686
Subtotal St. Paul Foundation Net Asset	<u>1,076,103</u>	<u>996,754</u>
Endowment Fund - Foundation Net Assets	185,702	176,733
Total Held by St. Paul Foundation	<u>\$ 1,261,805</u>	<u>\$ 1,173,487</u>

The portion of the Endowment fund recorded as net assets by the Foundation represents the amount contributed by the Foundation to St. Paul Foundation for its own benefit. Total contributions received from the St. Paul Foundation for the years ended August 31, 2014 and 2013 was \$48,858 and \$49,093, respectively.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATING BALANCE SHEET
AUGUST 31, 2014**

ASSETS	<u>Clubs</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Cash and Cash Equivalents	\$ 474,183	\$ 200,447	\$ -	\$ 674,630
Receivables	92,047	1,611	-	93,658
Pledges and Grants Receivable	769,371	-	-	769,371
Remainder Trust Receivable	104,000	-	-	104,000
Prepaid Expenses	65,215	-	-	65,215
Investments	-	7,755,877	-	7,755,877
Cash Surrender Value of Life Insurance Policies	-	98,800	-	98,800
Community Foundation Funds	-	185,702	-	185,702
Fixed Assets, Net of Accumulated Depreciation of \$9,361,356	<u>13,704,936</u>	<u>-</u>	<u>-</u>	<u>13,704,936</u>
Total Assets	<u>\$ 15,209,752</u>	<u>\$ 8,242,437</u>	<u>\$ -</u>	<u>\$ 23,452,189</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 616,490	\$ -	\$ -	\$ 616,490
Deferred Revenue	249,150	-	-	249,150
Lines of Credit	150,716	-	-	150,716
Notes Payable	957,090	-	-	957,090
Total Liabilities	<u>1,973,446</u>	<u>-</u>	<u>-</u>	<u>1,973,446</u>
NET ASSETS				
Unrestricted	9,302,107	(73,912)	-	9,228,195
Unrestricted - Board Designated	103,559	-	-	103,559
Subtotal - Unrestricted	<u>9,405,666</u>	<u>(73,912)</u>	<u>-</u>	<u>9,331,754</u>
Temporarily Restricted	3,765,060	3,671,204	-	7,436,264
Permanently Restricted	65,580	4,645,145	-	4,710,725
Total Net Assets	<u>13,236,306</u>	<u>8,242,437</u>	<u>-</u>	<u>21,478,743</u>
Total Liabilities and Net Assets	<u>\$ 15,209,752</u>	<u>\$ 8,242,437</u>	<u>\$ -</u>	<u>\$ 23,452,189</u>

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014**

	Clubs			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OPERATING				
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions, Including In-Kind Contributions of \$87,876	\$ 2,056,297	\$ 346,118	\$ -	\$ 2,402,415
Contributions - Deepening the Impact	13,300	-	-	13,300
Special Events, Net of Expenses of \$229,466	706,469	-	-	706,469
Grants and Contracts	759,540	4,000	-	763,540
Program Fees	229,141	4,536	-	233,677
Investment Revenue	502	-	-	502
Change in Value of Split Interest Agreements	-	2,000	-	2,000
Rental Income	18,803	-	-	18,803
Other Income	177	-	-	177
Net Assets Released from Restrictions - Operating	398,320	(398,320)	-	-
Total Revenue, Gains, and Other Support	4,182,549	(41,666)	-	4,140,883
EXPENSES				
Program Services	4,004,020	-	-	4,004,020
Support Services:				
Administration	612,923	-	-	612,923
Fundraising	650,905	-	-	650,905
Total Support Services	1,263,828	-	-	1,263,828
Total Expenses	5,267,848	-	-	5,267,848
CHANGE IN NET ASSETS OPERATING	(1,085,299)	(41,666)	-	(1,126,965)
NON-OPERATING				
Change in Value of Community Foundation	-	-	-	-
Capital Campaign Contributions	-	37,540	-	37,540
Capital Campaign Expenses	(33,707)	-	-	(33,707)
Jerry Gamble All-Star Event Contributions	996,872	43,213	-	1,040,085
Jerry Gamble All-Star Event Expenses	(18,590)	-	-	(18,590)
Gain on Disposal of Assets	2,530	-	-	2,530
Debt Forgiveness	420,075	-	-	420,075
Pledge Write-Off	-	-	-	-
Investment Revenue	-	-	-	-
Net Assets Released from Restrictions - Capital	143,250	(123,250)	(20,000)	-
Change in Net Assets Non-Operating	1,510,430	(42,497)	(20,000)	1,447,933
Net Assets Change Prior to Other Changes	425,131	(84,163)	(20,000)	320,968
OTHER CHANGES IN NET ASSETS				
Transfers (to) from Clubs/Foundation	289,563	-	-	289,563
CHANGE IN NET ASSETS	714,694	(84,163)	(20,000)	610,531
Net Assets - Beginning of Year	8,690,972	3,849,223	85,580	12,625,775
NET ASSETS - ENDING	<u>\$ 9,405,666</u>	<u>\$ 3,765,060</u>	<u>\$ 65,580</u>	<u>\$ 13,236,306</u>

Foundation					2014
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Consolidated Total
\$ 48,858	\$ -	\$ 20,000	\$ 68,858	\$ (20,000)	\$ 2,451,273
-	-	-	-	-	13,300
-	-	-	-	-	706,469
-	-	-	-	-	763,540
-	-	-	-	-	233,677
-	-	-	-	-	502
-	12,400	-	12,400	-	14,400
-	-	-	-	-	18,803
-	-	-	-	-	177
<u>263,082</u>	<u>(263,082)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
311,940	(250,682)	20,000	81,258	(20,000)	4,202,141
-	-	-	-	-	4,004,020
2,286	-	-	2,286	-	615,209
-	-	-	-	-	650,905
<u>2,286</u>	<u>-</u>	<u>-</u>	<u>2,286</u>	<u>-</u>	<u>1,266,114</u>
<u>2,286</u>	<u>-</u>	<u>-</u>	<u>2,286</u>	<u>-</u>	<u>5,270,134</u>
309,654	(250,682)	20,000	78,972	(20,000)	(1,067,993)
-	-	8,969	8,969	-	8,969
-	-	-	-	-	37,540
-	-	-	-	20,000	(13,707)
-	-	-	-	-	2,530
(420,075)	-	-	(420,075)	-	-
-	-	-	-	-	-
50,088	691,290	317,055	1,058,433	-	1,058,433
-	-	-	-	-	-
<u>(369,987)</u>	<u>691,290</u>	<u>326,024</u>	<u>647,327</u>	<u>20,000</u>	<u>2,115,260</u>
(60,333)	440,608	346,024	726,299	-	1,047,267
<u>(289,563)</u>	<u>-</u>	<u>-</u>	<u>(289,563)</u>	<u>-</u>	<u>-</u>
(349,896)	440,608	346,024	436,736	-	1,047,267
<u>275,984</u>	<u>3,230,596</u>	<u>4,299,121</u>	<u>7,805,701</u>	<u>-</u>	<u>20,431,476</u>
<u>\$ (73,912)</u>	<u>\$ 3,671,204</u>	<u>\$ 4,645,145</u>	<u>\$ 8,242,437</u>	<u>\$ -</u>	<u>\$ 21,478,743</u>