



**BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
Suite 2000  
303 Peachtree Street, N.E.  
Atlanta, GA 30308-3210

## **Independent Auditors' Report**

The Board of Governors  
Boys & Girls Clubs of America:

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of America and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, cash flows, and functional expenses 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 U.S. generally accepted accounting principles; 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 did not audit the financial statements of the subsidiary alliance organizations, which statements reflect total assets constituting 3% of consolidated total assets at both December 31, 2014 and 2013, total revenues constituting 24% and 20%, respectively, of consolidated total revenues for the years then ended, and total change in net assets constituting less than 1% of consolidated total change in net assets for both of the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the subsidiary alliance organizations, is based solely on the reports of the other auditors. 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 consolidated 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, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boys & Girls Clubs of America and its subsidiaries as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 through 5 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 audit 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.

**KPMG LLP**

Atlanta, Georgia  
August 24, 2015

**BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Consolidated Statements of Financial Position

December 31, 2014 and 2013

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 25,615,840	19,436,388
Investments (notes 2 and 17)	284,330,415	279,643,242
Assets held in custody for others (notes 2 and 15)	12,891,861	12,824,492
Membership dues and grants receivable, net	7,377,396	9,795,496
Contributions receivable (note 3)	86,368,832	69,050,705
Assets held in deferred compensation accounts (notes 6 and 17)	1,858,725	1,677,521
Split interest agreements	3,669,534	3,818,028
Land, buildings, and equipment, net (note 4)	26,060,019	26,262,353
Other assets	2,084,826	2,045,583
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Total assets	\$ 450,257,448	424,553,808
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<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 23,567,202	23,045,502
Obligations for custodial funds (note 15)	12,891,861	12,824,492
Liability under deferred compensation agreements (note 6)	1,858,725	1,677,521
Annuities payable	2,468,685	2,497,305
Bonds payable (notes 16 and 17)	3,968,750	4,375,000
	<hr/>	<hr/>
Total liabilities	44,755,223	44,419,820
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Net assets:		
Unrestricted:		
Undesignated (note 7)	2,098,625	3,058,996
Board-designated (notes 5, 7, 11 and 12)	176,810,031	177,378,274
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	178,908,656	180,437,270
Temporarily restricted (notes 9 and 12)	192,798,955	165,929,607
Permanently restricted (note 12)	33,794,614	33,767,111
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Total net assets	405,502,225	380,133,988
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Commitments (notes 5, 6, 14, 15, 16 and 18)		
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Total liabilities and net assets	\$ 450,257,448	424,553,808
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See accompanying notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Consolidated Statement of Activities

Year ended December 31, 2014  
(with comparative totals for 2013)

	Unrestricted		Total unrestricted	Temporarily restricted	Permanently restricted	Total	
	Undesignated	Board- designated				2014	2013
Changes in net assets:							
Revenue, gains, and other support:							
Contributions	\$ 5,704,452	464,065	6,168,517	87,551,807	27,503	93,747,827	77,409,834
Government grants and contracts, including amounts passed-through to member clubs (note 8)	32,846,099	—	32,846,099	33,094,356	—	65,940,455	69,853,170
Income from funds held in trust by others	112,038	—	112,038	1,226,140	—	1,338,178	1,295,003
Fund raising events:							
Revenue generated	11,285,394	—	11,285,394	873,000	—	12,158,394	10,008,415
Less direct operating costs (note 13)	(3,186,399)	—	(3,186,399)	—	—	(3,186,399)	(2,457,246)
Fund-raising events revenue in excess of direct costs	8,098,995	—	8,098,995	873,000	—	8,971,995	7,551,169
Member organization dues	10,391,201	—	10,391,201	—	—	10,391,201	9,190,220
Investment income, net of advisory and custody fees	3,804	(452,405)	(448,601)	570,046	—	121,445	(440,303)
Net realized and unrealized gains on investments	25,951	10,124,362	10,150,313	5,170,233	—	15,320,546	40,596,377
Other	691,138	120,599	811,737	118,266	—	930,003	1,304,311
Total revenue and gains	57,873,678	10,256,621	68,130,299	128,603,848	27,503	196,761,650	206,759,781
Net assets released from restrictions (note 10):							
Satisfaction of program restrictions	95,972,523	—	95,972,523	(95,972,523)	—	—	—
Expirations of time restrictions	5,761,977	—	5,761,977	(5,761,977)	—	—	—
Total net assets released from restrictions	101,734,500	—	101,734,500	(101,734,500)	—	—	—
Total revenue, gains, and other support	159,608,178	10,256,621	169,864,799	26,869,348	27,503	196,761,650	206,759,781
Expenses and losses:							
On-site assistance to member clubs and establishment of new clubs	47,278,164	4,666,261	51,944,425	—	—	51,944,425	34,541,944
Leadership training, development, and support of youth programs	89,204,028	135,512	89,339,540	—	—	89,339,540	106,197,833
Management and general	20,276,177	327,457	20,603,634	—	—	20,603,634	16,368,208
Fund-raising	9,453,227	52,587	9,505,814	—	—	9,505,814	7,751,360
Total expenses and losses	166,211,596	5,181,817	171,393,413	—	—	171,393,413	164,859,345
Changes in net assets before transfers	(6,603,418)	5,074,804	(1,528,614)	26,869,348	27,503	25,368,237	41,900,436
Other changes in net assets – transfers (note 7)	5,643,047	(5,643,047)	—	—	—	—	—
Change in net assets	(960,371)	(568,243)	(1,528,614)	26,869,348	27,503	25,368,237	41,900,436
Net assets at beginning of year	3,058,996	177,378,274	180,437,270	165,929,607	33,767,111	380,133,988	338,233,552
Net assets at end of year	\$ 2,098,625	176,810,031	178,908,656	192,798,955	33,794,614	405,502,225	380,133,988

See accompanying notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Consolidated Statement of Activities

Year ended December 31, 2013

	<u>Undesignated</u>	<u>Unrestricted Board- designated</u>	<u>Total unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2013</u>
Changes in net assets:						
Revenue, gains, and other support:						
Contributions	\$ 6,017,814	265,887	6,283,701	70,825,631	300,502	77,409,834
Government grants and contracts, including amounts passed-through to member clubs (note 8)	35,805,267	—	35,805,267	34,047,903	—	69,853,170
Income from funds held in trust by others	129,502	—	129,502	1,165,501	—	1,295,003
Fund raising events:						
Revenue generated	9,291,331	—	9,291,331	717,084	—	10,008,415
Less direct operating costs (note 13)	(2,457,246)	—	(2,457,246)	—	—	(2,457,246)
Fund-raising events revenue in excess of direct costs	6,834,085	—	6,834,085	717,084	—	7,551,169
Member organization dues	9,190,220	—	9,190,220	—	—	9,190,220
Investment income, net of advisory and custody fees	2,633	(799,071)	(796,438)	356,135	—	(440,303)
Net realized and unrealized gains on investments	3,483	25,703,532	25,707,015	14,889,362	—	40,596,377
Other	828,224	364,756	1,192,980	111,331	—	1,304,311
Total revenue and gains	58,811,228	25,535,104	84,346,332	122,112,947	300,502	206,759,781
Net assets released from restrictions (note 10):						
Satisfaction of program restrictions	90,880,356	366,776	91,247,132	(91,247,132)	—	—
Expirations of time restrictions	5,690,832	—	5,690,832	(5,690,832)	—	—
Total net assets released from restrictions	96,571,188	366,776	96,937,964	(96,937,964)	—	—
Total revenue, gains, and other support	155,382,416	25,901,880	181,284,296	25,174,983	300,502	206,759,781
Expenses and losses:						
On-site assistance to member clubs and establishment of new clubs	34,075,259	466,685	34,541,944	—	—	34,541,944
Leadership training, development, and support of youth programs	100,133,050	6,064,783	106,197,833	—	—	106,197,833
Management and general	16,121,406	246,802	16,368,208	—	—	16,368,208
Fund-raising	7,687,797	63,563	7,751,360	—	—	7,751,360
Total expenses and losses	158,017,512	6,841,833	164,859,345	—	—	164,859,345
Change in net assets before transfers	(2,635,096)	19,060,047	16,424,951	25,174,983	300,502	41,900,436
Other changes in net assets – transfers (note 7)	2,293,082	(2,293,082)	—	—	—	—
Change in net assets	(342,014)	16,766,965	16,424,951	25,174,983	300,502	41,900,436
Net assets at beginning of year	3,401,010	160,611,309	164,012,319	140,754,624	33,466,609	338,233,552
Net assets at end of year	\$ 3,058,996	177,378,274	180,437,270	165,929,607	33,767,111	380,133,988

See accompanying notes to consolidated financial statements.

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Change in net assets	\$ 25,368,237	41,900,436
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	643,706	1,046,840
Net realized and unrealized gains on investments	(15,439,707)	(40,153,441)
Contributions restricted for long-term investment	(27,503)	(300,502)
In-kind contributions of investments	(1,286,843)	(1,211,463)
Decrease (increase) in membership dues and grants receivable	2,418,100	(1,123,972)
Increase in contributions receivable	(17,318,127)	(13,950,828)
Decrease (increase) in split interest agreements	148,494	(13,802)
Increase in other assets	(42,885)	(39,358)
Increase in accounts payable and accrued expenses	258,700	3,097,340
Change in annuities payable	59,803	288,049
Net cash used in operating activities	(5,218,025)	(10,460,701)
Cash flows from investing activities:		
Proceeds from sales of investments	120,464,895	319,178,485
Purchase of investments	(108,425,518)	(300,525,443)
Purchases of property and equipment	(174,730)	(189,075)
Net cash provided by investing activities	11,864,647	18,463,967
Cash flows from financing activities:		
Contributions restricted for long-term investment	27,503	300,502
Principal payments on bonds payable and capital leases	(406,250)	(487,416)
Payment to life income beneficiaries	(88,423)	(88,423)
Net cash used in financing activities	(467,170)	(275,337)
Net increase in cash and cash equivalents	6,179,452	7,727,929
Cash and cash equivalents at beginning of year	19,436,388	11,708,459
Cash and cash equivalents at end of year	\$ 25,615,840	19,436,388
Supplemental disclosure:		
Cash paid for interest	\$ 74,423	85,475
In-kind gifts – investments	1,286,843	1,211,463
Land, buildings, and equipment acquisitions that were reflected in accounts payable and accrued expenses	—	263,000

See accompanying notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses

Year ended December 31, 2014

	Program services			Supporting services			Total expenses
	On-site assistance to member clubs and establishment of new clubs	Leadership training, development, and support of youth programs	Total program service	Management and general	Fund-raising	Total supporting services	
Salary	\$ 16,701,058	7,478,668	24,179,726	8,285,775	5,506,822	13,792,597	37,972,323
Benefits	3,453,690	1,650,547	5,104,237	1,740,678	725,499	2,466,177	7,570,414
Payroll taxes	1,193,547	528,063	1,721,610	588,698	369,754	958,452	2,680,062
Total salaries and related expenses	21,348,295	9,657,278	31,005,573	10,615,151	6,602,075	17,217,226	48,222,799
Contractual services	5,909,927	5,997,177	11,907,104	5,813,384	1,489,634	7,303,018	19,210,122
Supplies	658,526	545,790	1,204,316	276,412	109,061	385,473	1,589,789
Telephone	367,716	126,496	494,212	110,100	94,574	204,674	698,886
Postage and shipping	294,364	177,995	472,359	178,632	57,459	236,091	708,450
Occupancy	608,476	178,002	786,478	1,185,843	107,944	1,293,787	2,080,265
Printing and artwork	368,864	382,733	751,597	189,205	67,325	256,530	1,008,127
Travel	3,475,768	1,197,256	4,673,024	618,690	756,364	1,375,054	6,048,078
Training conferences	1,444,473	1,217,297	2,661,770	793,212	106,889	900,101	3,561,871
Membership dues	45,026	4,717	49,743	52,968	11,434	64,402	114,145
Awards and grants	16,955,734	69,572,992	86,528,726	—	—	—	86,528,726
Interest expense	—	—	—	79,267	—	79,267	79,267
Miscellaneous	235,997	146,295	382,292	470,064	50,468	520,532	902,824
Depreciation	231,259	135,512	366,771	220,706	52,587	273,293	640,064
Total expenses	\$ 51,944,425	89,339,540	141,283,965	20,603,634	9,505,814	30,109,448	171,393,413

See accompanying notes to consolidated financial statements.



**BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses

Year ended December 31, 2013

	Program services			Supporting services			Total expenses
	On-site assistance to member clubs and establishment of new clubs	Leadership training, development, and support of youth programs	Total program services	Management and general	Fund-raising	Total supporting services	
Salary	\$ 11,483,122	10,792,016	22,275,138	7,568,173	5,058,411	12,626,584	34,901,722
Benefits	2,365,770	2,624,512	4,990,282	1,814,252	585,068	2,399,320	7,389,602
Payroll taxes	782,565	832,049	1,614,614	444,185	349,421	793,606	2,408,220
Total salaries and related expenses	14,631,457	14,248,577	28,880,034	9,826,610	5,992,900	15,819,510	44,699,544
Contractual services	2,280,480	9,731,433	12,011,913	3,533,636	326,747	3,860,383	15,872,296
Supplies	353,070	868,634	1,221,704	171,502	103,521	275,023	1,496,727
Telephone	326,281	166,137	492,418	119,916	91,777	211,693	704,111
Postage and shipping	210,126	232,987	443,113	156,982	33,116	190,098	633,211
Occupancy	1,071,869	313,782	1,385,651	605,852	212,322	818,174	2,203,825
Printing and artwork	256,850	346,785	603,635	195,032	32,683	227,715	831,350
Travel	2,963,361	1,571,087	4,534,448	493,949	706,547	1,200,496	5,734,944
Training conferences	726,487	1,906,985	2,633,472	261,256	99,240	360,496	2,993,968
Membership dues	11,186	3,821	15,007	51,632	3,395	55,027	70,034
Awards and grants	10,868,561	76,129,627	86,998,188	—	—	—	86,998,188
Interest expense	—	—	—	56,940	—	56,940	56,940
Miscellaneous	375,531	415,782	791,313	648,099	85,549	733,648	1,524,961
Depreciation	466,685	262,196	728,881	246,802	63,563	310,365	1,039,246
Total expenses	\$ 34,541,944	106,197,833	140,739,777	16,368,208	7,751,360	24,119,568	164,859,345

See accompanying notes to consolidated financial statements.

## **BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

### **(1) Summary of Significant Accounting Policies**

#### **(a) Organization**

Boys & Girls Clubs of America (BGCA) is a federally chartered, national organization that was formed to promote the health, social, educational, vocational, and character development of young people throughout the United States (U.S.). Through its national headquarters, five regional service centers, and government relations office in Washington, D.C., BGCA:

- Develops innovative program services for young people;
- Assists community leaders to form new local member clubs;
- Provides training, management consulting, and resource materials to local member clubs;
- Promotes greater public and media awareness of local member club work; and
- Addresses legislative and public policy issues affecting young people.

The accompanying consolidated financial statements include the financial position and operating results of BGCA's subsidiary alliance organizations located throughout the U.S. These alliance organizations are organized under either Section 501(c)(4) or Section 501(c)(3) of the Internal Revenue Code and were formed primarily to meet certain state statutory reporting requirements. Certain members of BGCA's senior management serve as members of the governing boards for certain of these alliance organizations. Such subsidiary alliance organizations numbered 50 at both December 31, 2014 and 2013.

The accompanying consolidated financial statements do not include the financial position and operating results of local member clubs, each of which is an autonomous corporation organized under the laws of the jurisdiction in which it is located. Each local member club operates under a charter granted by BGCA and has its own independent board of directors which controls the local Boys & Girls Club, its programs, and staff. BGCA, the national organization, does not exercise supervision, direction, or control of its local club members.

#### **(b) Accrual Basis**

The consolidated financial statements of BGCA have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

#### **(c) Basis of Presentation**

The accounting policies of BGCA have been designed to conform to U.S. generally accepted accounting principles (U.S. GAAP) as applicable to not-for-profit organizations.

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of BGCA and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of BGCA and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by BGCA. Generally, the donors of these assets permit BGCA to use all or part of the income earned on related investments for general or specific purposes.

#### (d) **Contributions**

Contributions received, including unconditional promises to give, are recognized as revenue when assets or a donor's unconditional commitment is received.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

#### (e) **Investments**

Investments are carried at fair value, with changes in fair value being recorded as unrealized gains (losses). The fair value of publicly traded fixed income and equity securities is based upon quoted market prices. Fair values for private market investments and investments held through limited partnerships or commingled funds, are not as readily determinable. Fair value for these investments is established based on either external events which substantiate a change in fair value or a reasonable methodology that exists to identify and quantify changes in fair value. Fair value determinations for these investments require the use of estimates. Accordingly, such values may differ from the values that would have been used had a ready market for these investments existed.

BGCA has estimated the fair value of the majority of its investments in investment funds on the basis of the net asset value (NAV) per share of the investment (or its equivalent), as a practical expedient, if a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated by the fund manager as of BGCA's fiscal year end date. Typically, real estate partnerships and funds are valued based on appraisals of underlying properties held and conducted by third party appraisers retained by the general partner or investment manager. Valuations provided by the general partners and investment managers are evaluated by management, and management believes such values are reasonable estimates of fair value at December 31, 2014 and 2013 (see notes 2 and 17).

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

**(f) *Split Interest Agreements***

BGCA's split interest agreements with donors consist primarily of gift annuity agreements and irrevocable charitable remainder trusts for which BGCA serves as trustee. Contribution revenue is recognized when trusts (or annuity agreements) are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the values of assets, accretion of the discount and other changes in the estimates of future benefits.

BGCA is also the beneficiary of certain charitable lead trusts held and administered by others. The present value of the estimated future cash receipts from the trusts is recognized as an asset and contribution revenue at the date such trusts are established. The carrying value of the assets is adjusted annually for changes in fair value.

**(g) *Land, Buildings and Equipment***

Land, buildings and equipment are stated at cost at the date of acquisition. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

**(h) *Tax Status***

BGCA is recognized as an organization exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. During 2014 and 2013, \$172,000 and \$786,908, respectively, was provided for income taxes.

BGCA's 50 state alliance subsidiaries are exempt from Federal income taxes under either Section 501(c)(4) or Section 501(c)(3) of the Code.

**(i) *Functional Allocation of Expenses***

The costs of providing BGCA's various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**(j) *Concentration of Credit Risk***

Credit risk represents the risk of loss attributable to possible nonperformance by donors and counterparties relative to the terms of agreements and contracts. Financial instruments that are subject to concentrations of credit risk consist primarily of cash equivalents, investments, and certain receivables. In order to minimize credit risk in connection with cash equivalents and investments, BGCA invests in U.S. government securities, mutual funds, and other marketable securities. These investments are held by diverse, high-quality financial institutions.

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

**(k) Use of Estimates**

Management of BGCA has made certain estimates and assumptions relating to the reporting of the allowance for uncollectible contributions receivable, valuation of certain investment securities without readily determinable fair values, depreciable lives of property and equipment, accrued expenses, annuities payable, and the disclosure of contingent liabilities to prepare the consolidated financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates.

**(l) New Accounting Pronouncements**

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07 (ASU 2015-07), *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)*. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as a practical expedient. This ASU is effective retrospectively for fiscal years beginning after December 15, 2015, though early adoption is permitted. BGCA elected to adopt ASU 2015-07 as of and for the year ended December 31, 2014. Accordingly, investments for which fair value is measured using net asset value per share as a practical expedient have not been categorized within the fair value hierarchy.

**(2) Investments**

Investments are carried at estimated fair value and consist of the following at December 31, 2014 and 2013:

	2014	2013
Short-term investments	\$ 9,831,213	8,498,417
Fixed income:		
Mutual funds	410,091	509,023
Fixed income securities	31,321,782	27,283,576
Corporate stocks-domestic	74,394,781	70,850,099
Community Foundation	32,555	32,555
Investment in limited partnerships	146,804,568	154,005,031
Private equity investments/hedge funds	34,427,286	31,289,033
	297,222,276	292,467,734
Less custodial fund investments	(12,891,861)	(12,824,492)
Total	\$ 284,330,415	279,643,242

Management is required to make certain estimates in the preparation of the financial statements. Among those significant estimates are the valuation of investments without readily determinable fair values. These estimates are subjective and require judgment regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that appropriately reflect market and credit risks. BGCA believes that the carrying amounts of these investments are a reasonable estimate of fair value. Estimates, by their nature, are based on judgment and available information. Changes in assumptions could have a material impact on the financial statements.

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Custodial fund investments consist of assets which are being held on behalf of other organizations (see note 15).

Net realized and unrealized gains/losses on investments as reflected in the accompanying consolidated statements of activities for the year ended December 31 is as follows:

	<u>2014</u>	<u>2013</u>
Realized gains, net	\$ 24,712,177	46,133,750
Unrealized (losses)/gains, net	<u>(9,391,631)</u>	<u>(5,537,373)</u>
	<u>\$ 15,320,546</u>	<u>40,596,377</u>

Investment management expenses were approximately \$1,174,000 and \$1,173,000 for the years ended December 31, 2014 and 2013, respectively.

#### ***Other Risk Factors***

**Liquidity risk** – Liquidity risk represents the risk that BGCA may not be able to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If BGCA were compelled to dispose of an illiquid investment at an inopportune time, the result may be a sale at a substantial discount to fair value.

BGCA invests in alternative investments, which can be highly illiquid. Under adverse market or economic conditions, the secondary market for certain of these alternative investments could further contract. As a result, BGCA could find it more difficult to sell these securities or may only be able to sell these securities at amounts lower than if such securities were more widely traded.

**Currency and foreign exchange risk** – BGCA may hold investments denominated in currencies other than the U.S. dollar. Thus, there is exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates.

**Interest rate and credit risk** – BGCA's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk of the issuer of the security becoming unable to pay interest or repay principal when it is due.

**Market price risk** – The value of securities held by BGCA may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Events impacting valuation may include (but are not limited to) economic changes, market fluctuations, regulatory changes, global and political instability, and currency, interest rate, and commodity price fluctuations. BGCA attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of relevant economic conditions.

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

#### (3) Contributions Receivable

Contributions receivable consists of the following December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Contributions receivable, gross	\$ 97,374,275	75,821,562
Less:		
Unamortized discount	(8,596,193)	(4,361,607)
Allowance for uncollectible contributions	(2,409,250)	(2,409,250)
Net unconditional promises to give	<u>\$ 86,368,832</u>	<u>69,050,705</u>
Amounts due in:		
Less than one year	\$ 42,388,659	34,199,375
One to five years	54,985,616	41,622,187
	<u>\$ 97,374,275</u>	<u>75,821,562</u>

Contributions receivable are reflected at fair value as of the date of gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue. Estimated future cash flows to be received after one year were discounted at December 31, 2014 and 2013 at rates ranging from 0.12% to 7.85%.

During 2014 and 2013, BGCA received conditional promises to give totaling approximately \$33,625,000 and \$34,021,000, respectively. These conditional promises to give are not recognized in the accompanying consolidated financial statements and, if they are subsequently recorded, they may be restricted for specific purposes stipulated by the donors.

#### (4) Land, Buildings, and Equipment

Land and buildings, as well as furnishings and equipment, are recorded at acquisition cost or fair value upon receipt in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Land, buildings, and equipment consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Estimated useful life</u>
Land	\$ 10,848,690	10,848,690	
Buildings	16,540,525	16,540,525	50 years
Leasehold improvements	404,583	404,583	10 years
Building improvements	2,269,252	1,993,149	6–9 years
Furniture, fixtures and equipment	<u>6,392,481</u>	<u>6,303,647</u>	5–7 years
	36,455,531	36,090,594	
Less accumulated depreciation and amortization	<u>(10,395,512)</u>	<u>(9,828,241)</u>	
	<u>\$ 26,060,019</u>	<u>26,262,353</u>	

Depreciation expense totaled \$640,064 and \$1,039,246 for the years ended December 31, 2014 and 2013, respectively.

**(5) Retirement Plans**

BGCA has a noncontributory defined contribution pension plan, covering all eligible employees. BGCA contributes 8% of annual salary for employees working 1,000 hours or more during a calendar year. Pension expense for 2014 and 2013 totaled approximately \$2,082,000 and \$1,998,000, respectively.

In 2011, the Board of Governors approved a supplemental executive retirement plan for the benefit of a member of senior management whereby a retirement benefit will be earned ratably by the executive during the service term as defined in the plan agreement. The vested amount will be paid to the executive upon retirement, disability, or termination without cause as defined in the plan agreement. The liability recorded in connection with this plan as of December 31, 2014 and 2013 is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

BGCA also has a retirement fund totaling approximately \$622,650 at both December 31, 2014 and 2013 included in board – designated unrestricted net assets.



**BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

**(6) Assets Held in and Liability under Deferred Compensation Accounts**

BGCA has in place deferred compensation agreements with certain key officers, whereby sums will be paid according to the terms of the agreements into accounts maintained by BGCA for the purpose of salary continuation upon retirement. This plan is subject to certain stipulations outlined within the agreements, one of which is the officers' continued employment with BGCA. Deferred compensation activity during 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Employee contributions	\$ 152,159	131,506
Distributions	(159,843)	(293,645)
Annuity contracts	397,572	268,969
Change in fair value	<u>(208,684)</u>	<u>163,267</u>
Net change for the year	181,204	270,097
Assets held in and liability under deferred compensation:		
Beginning of year	<u>1,677,521</u>	<u>1,407,424</u>
End of year	\$ <u><u>1,858,725</u></u>	\$ <u><u>1,677,521</u></u>

**(7) Transfers**

Transfers of net assets for the years ended December 31, 2014 and 2013 consist of the following:

<u>Description</u>	<u>2014</u>	
	<u>Unrestricted net assets</u>	
	<u>Undesignated</u>	<u>Board-designated</u>
Fixed asset acquisitions transferred to unrestricted-board-designated net assets	\$ (94,402)	94,402
Investment income transferred in accordance with board spend rate policy	6,039,003	(6,039,003)
Transfer of year-end balance of general operating activities to unrestricted-board-designated net assets	<u>(301,554)</u>	<u>301,554</u>
	\$ <u><u>5,643,047</u></u>	\$ <u><u>(5,643,047)</u></u>

**BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Description	2013	
	Unrestricted net assets	
	Undesignated	Board-designated
Fixed asset acquisitions transferred to unrestricted-board-designated net assets	\$ (148,140)	148,140
Investment income transferred in accordance with board spend rate policy	5,954,000	(5,954,000)
Transfer of year-end balance of general operating activities to unrestricted-board-designated net assets	(3,512,778)	3,512,778
	\$ <u>2,293,082</u>	<u>(2,293,082)</u>

**(8) Government Grants and Contracts**

During 2014 and 2013, BGCA received \$65,940,455, and \$69,853,170, respectively, in various government grants and contracts. Of this amount, \$59,538,016 and \$61,544,431 was passed through to certain affiliated local member clubs (see note 1) for leadership training, development and support of youth programs during 2014 and 2013, respectively.

**(9) Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2014 and 2013 are available for the following purposes or periods:

	2014	2013
On-site assistance to member clubs and establishment of new clubs	\$ 119,769,256	68,805,475
Leadership training, development and support of youth programs	60,460,713	28,857,519
Available for use in future periods	12,568,986	68,266,613
	\$ <u>192,798,955</u>	<u>165,929,607</u>

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

#### (10) Net Assets Released from Restrictions

During 2014 and 2013, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by occurrence of other events satisfying restrictions specified by donors as follows:

	2014	2013
Purpose restrictions accomplished:		
Expenses for on-site assistance to member clubs and establishment of new clubs	\$ 37,674,460	20,840,213
Expenses for leadership training, development and support of youth programs	58,298,063	70,406,919
	95,972,523	91,247,132
Time restrictions expired – passage of specified time	5,761,977	5,690,832
	\$ 101,734,500	96,937,964

#### (11) Unrestricted Net Assets – Board-Designated

Board-designated net assets consist of the following at December 31, 2014 and 2013:

	2014	2013
Functioning as quasi-endowment:		
Reserve fund	\$ 136,741,725	141,961,423
Board designated fund	14,963,177	10,196,055
	151,704,902	152,157,478
Other board-designated	3,763,438	3,333,443
Land, buildings, and equipment	21,341,691	21,887,353
	\$ 176,810,031	177,378,274

#### (12) Endowment Net Assets

BGCA's endowment consists of approximately 56 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Governors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Governors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

##### (a) *Interpretation of Relevant Law*

BGCA has interpreted the State of Georgia's enacted version of the 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, BGCA classifies as permanently restricted net assets (a) the

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

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 expenditures by BGCA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, BGCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund
2. The purposes of BGCA and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of BGCA
7. The investment policies of BGCA

**(b) *Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires BGCA to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets and generally result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as an increase in unrestricted net assets. There were no aforementioned deficiencies at December 31, 2014 and 2013.

**(c) *Return Objectives and Risk Parameters***

The financial objective of BGCA's endowment is to provide support to the operations of its programs and affiliates and to preserve the inflation adjusted purchasing power of the long term investment. The investment objective is to attain an average annual real total return of at least 5% over the long term (rolling five year periods). Actual returns in any given year may vary from this amount.

To achieve its investment objective, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of 80% Russell 3000 index and 20% Barclays Aggregate Bond Index while assuming a moderate level of investment risk.

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

**(d) Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, BGCA 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). BGCA targets a diversified asset allocation that places emphasis on investments in marketable securities, bonds, private equity and real estate trusts designed to achieve its long-term return objectives within prudent risk constraints.

**(e) Spending Policy**

A spending policy is established to ensure that the real value of the investment is maintained over time, which requires that the long-term average spending rate not exceed the long-term real return, BGCA's spending rate is established as up to 5% of the previous three year average of the September 30 fair value of the endowment net assets unless stipulated otherwise by the donor.

Endowment net assets consist of the following at December 31, 2014:

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ —	70,161,966	33,794,614	103,956,580
Board-designated quasi-endowment funds	151,704,902	—	—	151,704,902
Total endowment net assets	\$ 151,704,902	70,161,966	33,794,614	255,661,482

Endowment net assets consist of the following at December 31, 2013:

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ —	68,209,484	33,767,111	101,976,595
Board-designated quasi-endowment funds	152,157,478	—	—	152,157,478
Total endowment net assets	\$ 152,157,478	68,209,484	33,767,111	254,134,073

**BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2013	\$ 152,157,478	68,209,484	33,767,111	254,134,073
Contributions	584,664	—	27,503	612,167
Investment return – investment income and net appreciation	9,671,955	5,485,262	—	15,157,217
Appropriation of endowment assets for expenditure	<u>(10,709,195)</u>	<u>(3,532,780)</u>	<u>—</u>	<u>(14,241,975)</u>
Endowment net assets, December 31, 2014	<u>\$ 151,704,902</u>	<u>70,161,966</u>	<u>33,794,614</u>	<u>255,661,482</u>

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2012	\$ 134,750,193	57,000,231	33,466,609	225,217,033
Contributions	—	—	300,502	300,502
Investment return – investment income and net appreciation	25,535,104	14,547,694	—	40,082,798
Appropriation of endowment assets for expenditure	<u>(8,127,819)</u>	<u>(3,338,441)</u>	<u>—</u>	<u>(11,466,260)</u>
Endowment net assets, December 31, 2013	<u>\$ 152,157,478</u>	<u>68,209,484</u>	<u>33,767,111</u>	<u>254,134,073</u>

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

#### (13) Fund-Raising Event Direct Operating Costs

BGCA holds periodic fund-raising events and reports the revenues generated, net of any direct operating costs, as revenue, gains, and other support in the accompanying consolidated statements of activities. These direct operating costs during 2014 and 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Supplies	\$ 210,737	88,575
Printing	80,109	76,202
Postage	19,480	8,740
Travel	57,857	49,801
Banquets and space rental	1,557,156	1,729,070
Entertainment, event management, and speakers	1,261,060	504,858
	\$ 3,186,399	2,457,246

#### (14) Leases

BGCA is obligated under noncancelable long-term operating leases for rental of office facilities and equipment, as follows:

Years ending December 31:		
2015	\$	601,707
2016		617,199
2017		523,430
2018		81,679
	\$	1,824,015

Rental expense under operating leases totaled approximately \$782,000 and \$662,000 for the years ended December 31, 2014 and 2013, respectively.

BGCA leases a portion of its National Office facility and subleases leased space in Washington D.C. no longer used by BGCA to outside tenants. Rental income to be received in future periods under current lease and sub-lease arrangements is as follows:

	<b>Amount</b>
Years ending December 31:	
2015	\$ 1,296,902
2016	1,306,936
2017	1,296,392
2018	948,876
2019	586,582
Thereafter	1,153,392
	\$ 6,589,080

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Rental income totaled approximately \$1,214,000 and \$1,012,000 for the years ended December 31, 2014 and 2013, respectively.

#### (15) Obligations for Custodial Funds

BGCA has custody of certain assets which are being held and disbursed only on instructions of the person or organization from which they were received. These custodial funds and related obligations are included in the accompanying consolidated statements of financial position; however, additions to/disbursements from these funds are not considered part of BGCA's operations.

The changes in custodial funds for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
New custodial funds received	\$ 90,000	10,000
Net gains (losses) on investments and other receipts	641,428	1,696,031
Disbursements	(664,059)	(670,338)
Net change for the year	67,369	1,035,693
Assets held in custody for others:		
Beginning of year	12,824,492	11,788,799
End of year	\$ 12,891,861	12,824,492

#### (16) Bonds Payable

On September 1, 2005, BGCA issued tax-exempt bonds payable consisting of \$15,000,000 of Development Authority of Fulton County Revenue Bonds (Boys & Girls Clubs of America Project) Series 2005 with interest at rates as determined by the Remarketing Agent secured by a bank letter of credit. During 2009, BGCA executed an Amended and Restated Indenture of Trust, dated December 1, 2009, amending and restating the Original Indenture to allow the then outstanding \$6,500,000 principal amount of the Bonds to be converted to a mode that allowed for the Bonds to be purchased initially by SunTrust Bank and to bear interest at the rates applicable during the "Bank Rate Period" provided in the Trust document. Such rates were 1.71% and 1.72% at December 31, 2014 and 2013, respectively. The amended indenture provided for annual principal payments of \$406,250 and monthly interest payments through the maturity of the bond. Principal repayments totaling \$406,250 were made to reduce the outstanding bonds during both 2014 and 2013.



## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Future bond maturities are as follows:

	<u>Amount</u>
2015	\$ 406,250
2016	406,250
2017	406,250
2018	406,250
2019	406,250
Thereafter	<u>1,937,500</u>
	<u>\$ 3,968,750</u>

The Amended and Restated Indenture of Trust between BGCA and SunTrust Bank relating to the bonds payable provide for certain financial and nonfinancial covenants, including a minimum total net asset requirement of \$232 million.

#### (17) Fair Value Measurements

BGCA follows the guidance in ASC No. 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial and non financial assets and financial liabilities. BGCA's estimates of fair value for financial assets and liabilities are based on the framework established in ASC No. 820, which considers the inputs used in valuation, gives the highest priority to quoted prices in active markets, and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the ASC No. 820 hierarchy is based on whether the significant inputs relative to the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect BGCA's significant market assumptions. The three levels of the hierarchy are further described as follows:

Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in accessible and active markets.

Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable. Examples include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 – Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets or liabilities. Level 3 investments comprise primarily alternative investments which are not readily marketable.

## **BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

The majority of BGCA's investments are held through limited partnerships for which the fair value is estimated using the Net Asset Values (NAV) reported by the investment managers as a practical expedient. Such investments have not been categorized within the fair value hierarchy due to the early adoption of ASU 2015-07 (See note 1(l)).

The carrying amounts of membership dues and grants receivable, split-interest agreements, accounts payable and accrued expenses, and annuities payable (all classified largely as Level 1 within the fair value hierarchy described above) approximate fair value because of the relative terms and/or short maturity of these financial instruments. Contributions receivable are initially measured at fair value in the year the receivable is recorded based on the present value of the estimated future cash flows discounted at a rate that reflects the risks inherent in those cash flows, which is an application of the income approach. Current year gifts included in contributions receivable reflected at fair value were approximately \$54.9 million and \$41.4 million at December 31, 2014 and 2013, respectively, and are classified as Level 3 in the fair value hierarchy. Cash and cash equivalents, investments, assets held in custody for others, and assets held in deferred compensation accounts are reflected in the accompanying consolidated financial statements at fair value. The fair value of bonds payable at December 31, 2014 approximates carrying value due to the variable interest rates in effect. The carrying amounts of obligations for custodial funds, and the liability under deferred compensation agreements are recorded at the fair value of the underlying assets.

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

As required by ASC No. 820, financial instruments recorded at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The following is a summary of BGCA's financial instruments within the fair value hierarchy as of December 31, 2014 and 2013:

		2014						
		Investments Measured at NAV	Level 1	Level 2	Level 3	Total	Redemption or liquidation	Notice period
Assets:								
Recurring:								
Cash and cash equivalents	\$	—	25,615,840	—	—	25,615,840	Daily	None
Investments, and assets held in custody for others:								
Short-term investments	\$	—	9,831,213	—	—	9,831,213	Daily	None
Fixed income:								
Mutual funds		—	410,091	—	—	410,091	Daily	None
Fixed income securities		—	—	31,321,782	—	31,321,782	Monthly	5 days
Corporate stocks		—	74,394,781	—	—	74,394,781	Daily	None
Community Foundation		—	—	—	32,555	32,555	At discretion of foundation	At discretion of foundation
Investment in limited partnerships:								
U.S. Equity – (a)		23,859,153	—	—	—	23,859,153	Monthly	15 days
Private Equity – (e)		826,435	—	—	—	826,435	At discretion of general partner	At discretion of general partner
Credit/Distressed hedge funds – (b)		10,671,327	—	—	—	10,671,327	Quarterly, bi-annually or at discretion of fund manager	45–90 days
Global Macro (f)		5,171,333	—	—	—	5,171,333	Monthly	65 days
Multi-Strategy hedge funds – (c)		140,703,606	—	—	—	140,703,606	Annually, Quarterly or at discretion of fund manager	65 – 105 days
Total investments and assets held in custody for others		\$ 181,231,854	84,636,085	31,321,782	32,555	297,222,276		
Assets held in deferred compensation accounts	\$	—	1,858,725	—	—	1,858,725	Daily	None
Liabilities:								
Disclosure:								
Bonds payable	\$	—	—	3,968,750	—	3,968,750	N/A	N/A

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

		2013						
		Investments Measured at NAV	Level 1	Level 2	Level 3	Total	Redemption or liquidation	Notice period
Assets:								
Recurring:								
Cash and cash equivalents	\$	—	19,436,388	—	—	19,436,388	Daily	None
Investments, and assets held in custody for others:								
Short-term investments	\$	—	8,498,417	—	—	8,498,417	Daily	None
Fixed income:								
Mutual funds		—	509,023	—	—	509,023	Daily	None
Fixed income securities		—	—	27,283,576	—	27,283,576	Monthly	5 days
Corporate stocks		—	70,850,099	—	—	70,850,099	Daily	None
Community Foundation		—	—	—	32,555	32,555	At discretion of foundation	At discretion of foundation
Investment in limited partnerships:								
U.S. Equity – (a)		21,048,913	—	—	—	21,048,913	Monthly	15 days
Event Driven hedge funds – (d)		13,532,864	—	—	—	13,532,864	Annually	45 days
Private Equity – (e)		1,716,569	—	—	—	1,716,569	At discretion of general partner	At discretion of general partner
Credit/Distressed hedge funds – (b)		36,266,934	—	—	—	36,266,934	Quarterly, bi-annually or at discretion of fund manager	45–90 days
Global Macro (f)		5,335,016	—	—	—	5,335,016	Monthly	65 days
Multi-Strategy hedge funds – (c)		106,973,307	—	—	—	106,973,307	Annually, Quarterly or at discretion of fund manager	65 – 105 days
Alternative equity investments/hedge funds:								
Multi-strategy hedge funds – (c)		420,461	—	—	—	420,461	Annually, Quarterly or at discretion of fund manager	65 – 105 days
Total investments and assets held in custody for others		\$ 185,294,064	79,857,539	27,283,576	32,555	292,467,734		
Assets held in deferred compensation accounts	\$	—	1,677,521	—	—	1,677,521	Daily	None
Liabilities:								
Disclosure:								
Bonds payable	\$	—	—	4,375,000	—	4,375,000	N/A	N/A

## BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2014 and 2013

Certain investments that are measured at fair value using NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

**a. U.S. Equity** – This class includes funds that buy and hold shares of publicly listed domestic companies. The managers employ a variety of disciplines and investment styles – growth, value, large and small-cap – while investing in companies across a range of industries. These funds will typically employ fundamental investment techniques and hold assets that are highly liquid. The fair value of these investments has been estimated using the net asset value per share of the investments.

**b. Credit/Distressed** – This class includes investments in funds that buy bonds or structured credit products expected to appreciate in value and short those they expect to decline in value. These managers will invest in corporate bonds, structured products, bank loans and fixed income derivatives. Distressed-debt managers typically focus on bonds and bank loans trading at a significant discount to par value as a result of the debtor company's troubled financial condition. These managers may become actively involved in company reorganization and bankruptcy committees and may also buy bonds with the expectation that they will be converted to equity. The fair value of these investments has been estimated using the net asset value per share of the investments. Investments representing 7% of this class cannot be redeemed due to liquidity restrictions and will be distributed at the managers' discretion.

**c. Multi-Strategy** – This class includes investments in funds that invest in different strategies, shifting capital among them according to their profitability. These managers employ event driven and diversified strategies, seeking to generate risk-adjusted returns across business and market cycles. In addition, they may also engage in other areas, such as private placements, insurance and real estate. The term open mandate is sometimes used synonymously with multi-strategy. The fair value of these investments has been estimated using the net asset value per share of the investments. Investments representing 5% of this class cannot be redeemed due to liquidity restrictions and will be distributed at the managers' discretion.

**d. Event Driven** – This class includes investments in funds that seek to capture valuation spreads between two or more financial instruments. Event-driven managers have a broad mandate to seek profits from all types of corporate events, including mergers, reorganizations, spin-offs, recapitalizations, litigations, and potential bankruptcies. Event-driven managers may also get involved in special situations investing, such as providing short-term, high-yield interim financing to companies in the midst of reorganization. Investments representing 10% of this class cannot be redeemed due to liquidity restrictions and will be distributed at the managers' discretion. The fair value of these investments has been estimated using the net asset value per share of the investments.

**e. Private Equity** – This class includes a fund of funds that invests in private equity funds making investments in the U.S. across a broad range of industries and company sizes. These investments cannot be redeemed at the investor's request. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. Therefore, the fair values of the investments in this class have been estimated by the fund managers using recent observable transaction information for similar investments and other valuation methods.

**BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

**f. Global Macro** – This class includes investments in funds that will trade the assets of the Fund in futures, physicals, options and forward contracts in the global fixed income, currency, stock index energy and commodities market. The strategy may also include other investment instruments, including transactions in securities, foreign exchange, fixed income instruments and swaps that relate to such markets. The fair value of these investments has been estimated using the net asset value per share of the investments.

During 2014, changes in the fair value of investments and assets held in custody for others classified as Level 3 in the fair value hierarchy are as follows:

	<u><b>Community Foundation</b></u>
Balance at December 31, 2013	\$ 32,555
Total realized and unrealized gains (losses), included in earnings	—
Additions during the year	—
Settlements during the year	—
Balance at December 31, 2014	<u><u>\$ 32,555</u></u>

During 2013, changes in the fair value of investments classified as Level 3 in the fair value hierarchy are as follows:

	<u><b>Community Foundation</b></u>	<u><b>Limited partnerships</b></u>	<u><b>Limited liability companies</b></u>	<u><b>Alternative equity investments</b></u>	<u><b>Total</b></u>
Balance at December 31, 2012	\$ 32,555	60,833,591	10,620,000	10,027,814	81,513,960
Total realized and unrealized gains (losses), included in earnings	—	15,058,894	213,597	46,941	15,319,432
Additions during the year	—	87,068,538	—	—	87,068,538
Settlements during the year	—	(34,456,326)	(10,833,597)	(9,654,294)	(54,944,217)
Change in Accounting Standard	—	<u>(128,504,697)</u>	—	<u>(420,461)</u>	<u>(128,925,158)</u>
Balance at December 31, 2013	<u><u>\$ 32,555</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>32,555</u></u>

## **BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

### **(18) Commitments and Contingencies**

#### *Legal Matters*

BGCA is subject to claims and legal actions arising in the ordinary course of business. In the opinion of management, the outcome of such actions will not have a material adverse effect on the financial position of BGCA.

#### *Federal Financial Assistance*

Federally funded programs are routinely subject to special audits that could result in claims against the resources of BGCA. Management does not believe that there will be any claims arising from such audits that could have a material adverse effect on the financial position of BGCA.

### **(19) Subsequent Events**

BGCA evaluated events subsequent to December 31, 2014 and through August 24, 2015 the date on which the consolidated financial statements were available for issuance and determined that all significant events and disclosures are included in the consolidated financial statements.

**BOYS & GIRLS CLUBS OF AMERICA – NATIONAL ORGANIZATION  
(EXCLUDING SUBSIDIARY ORGANIZATIONS)**

Statements of Financial Position – Information

December 31, 2014 and 2013

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 19,358,238	15,109,078
Investments	284,330,415	279,643,242
Assets held in custody for others	12,891,861	12,824,492
Membership dues and grants receivable, net	100,164	1,634,717
Contributions receivable, net	86,368,832	69,050,705
Assets held in deferred compensation accounts	1,858,725	1,677,521
Split interest agreements	3,669,534	3,818,028
Land, buildings, and equipment, net	26,043,445	26,258,579
Other assets	2,066,220	1,990,324
	<hr/>	<hr/>
Total assets	\$ 436,687,434	412,006,686
	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 12,656,768	12,961,181
Obligations for custodial funds	12,891,861	12,824,492
Liability under deferred compensation agreements	1,858,725	1,677,521
Annuities payable	2,468,685	2,497,305
Bonds payable	3,968,750	4,375,000
	<hr/>	<hr/>
Total liabilities	33,844,789	34,335,499
	<hr/>	<hr/>
<b>Net assets:</b>		
Unrestricted:		
Undesignated	506,435	1,356,055
Board-designated	176,787,351	177,368,393
	<hr/>	<hr/>
	177,293,786	178,724,448
Temporarily restricted	191,754,245	165,179,628
Permanently restricted	33,794,614	33,767,111
	<hr/>	<hr/>
Total net assets	402,842,645	377,671,187
	<hr/>	<hr/>
Total liabilities and net assets	\$ 436,687,434	412,006,686
	<hr/>	<hr/>

See accompanying independent auditors' report



**BOYS & GIRLS CLUBS OF AMERICA – NATIONAL ORGANIZATION**  
**(EXCLUDING SUBSIDIARY ORGANIZATIONS)**

Statement of Activities – Information

Year ended December 31, 2014  
(with comparative totals for 2013)

	Unrestricted		Total unrestricted	Temporarily restricted	Permanently restricted	Total	
	Undesignated	Board- designated				2014	2013
Changes in net assets:							
Revenue, gains, and other support:							
Contributions	\$ 4,908,111	464,065	5,372,176	86,819,268	27,503	92,218,947	76,100,021
Government grants and contracts (includes pass through to clubs for 2014 and 2013 of \$20,605,500 and \$26,517,394, respectively)	24,688,616	—	24,688,616	—	—	24,688,616	32,585,869
Income from funds held in trust by others	112,038	—	112,038	1,226,140	—	1,338,178	1,295,003
Fund raising events:							
Revenue generated	11,007,710	—	11,007,710	873,000	—	11,880,710	9,652,547
Less direct operating costs	(3,048,931)	—	(3,048,931)	—	—	(3,048,931)	(2,315,197)
Fund-raising events revenue in excess of direct costs	7,958,779	—	7,958,779	873,000	—	8,831,779	7,337,350
Member organization dues	7,006,180	—	7,006,180	—	—	7,006,180	6,820,437
Investment income, net of advisory and custody fees and taxes	1,519	(452,405)	(450,886)	570,046	—	119,160	(442,936)
Net realized and unrealized gains on investments	25,951	10,124,362	10,150,313	5,170,233	—	15,320,546	40,596,377
Other	552,333	120,599	672,932	105,266	—	778,198	974,698
Total revenue and gains	45,253,527	10,256,621	55,510,148	94,763,953	27,503	150,301,604	165,266,819
Net assets released from restrictions:							
Satisfaction of program restrictions	62,427,359	—	62,427,359	(62,427,359)	—	—	—
Expirations of time restrictions	5,761,977	—	5,761,977	(5,761,977)	—	—	—
Total net assets released from restrictions	68,189,336	—	68,189,336	(68,189,336)	—	—	—
Total revenue, gains, and other support	113,442,863	10,256,621	123,699,484	26,574,617	27,503	150,301,604	165,266,819
Expenses and losses:							
On-site assistance to member clubs and establishment of new clubs	47,278,164	4,666,261	51,944,425	—	—	51,944,425	34,541,944
Leadership training, development, and support of youth programs	45,726,837	135,512	45,862,349	—	—	45,862,349	67,433,258
Management and general	17,532,320	321,143	17,853,463	—	—	17,853,463	13,733,805
Fund-raising	9,417,322	52,587	9,469,909	—	—	9,469,909	7,668,531
Total expenses and losses	119,954,643	5,175,503	125,130,146	—	—	125,130,146	123,377,538
Changes in net assets before transfers	(6,511,780)	5,081,118	(1,430,662)	26,574,617	27,503	25,171,458	41,889,281
Other changes in net assets – transfers	5,662,160	(5,662,160)	—	—	—	—	—
Change in net assets	(849,620)	(581,042)	(1,430,662)	26,574,617	27,503	25,171,458	41,889,281
Net assets at beginning of year	1,356,055	177,368,393	178,724,448	165,179,628	33,767,111	377,671,187	335,781,906
Net assets at end of year	\$ 506,435	176,787,351	177,293,786	191,754,245	33,794,614	402,842,645	377,671,187

See accompanying independent auditors' report

**BOYS & GIRLS CLUBS OF AMERICA – NATIONAL ORGANIZATION  
(EXCLUDING SUBSIDIARY ORGANIZATIONS)**

Statements of Cash Flows – Information

Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 25,171,458	41,889,281
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	637,392	1,045,158
Net realized and unrealized gains on investments	(15,439,707)	(40,153,441)
Contributions restricted for long-term investment	(27,503)	(300,502)
In-kind contributions of investments	(1,286,843)	(1,211,463)
Decrease in membership dues and grants receivable	1,534,553	1,404,520
Increase in contributions receivable	(17,318,127)	(13,950,828)
Decrease (increase) in split interest agreements	148,494	(13,802)
Increase in other assets	(79,538)	(2,957)
Decrease in accounts payable and accrued expenses	(567,413)	(291,269)
Change in annuities payable	59,803	288,049
Net cash used in operating activities	<u>(7,167,431)</u>	<u>(11,297,254)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	120,464,895	319,178,485
Purchase of investments	(108,425,518)	(300,525,443)
Purchases of property and equipment	<u>(155,616)</u>	<u>(187,662)</u>
Net cash provided by investing activities	<u>11,883,761</u>	<u>18,465,380</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	27,503	300,502
Principal repayments on bonds payable and capital leases	(406,250)	(487,416)
Payments to life income beneficiaries	<u>(88,423)</u>	<u>(88,423)</u>
Net cash used in financing activities	<u>(467,170)</u>	<u>(275,337)</u>
Net increase in cash and cash equivalents	4,249,160	6,892,789
Cash and cash equivalents at beginning of year	<u>15,109,078</u>	<u>8,216,289</u>
Cash and cash equivalents at end of year	\$ <u>19,358,238</u>	\$ <u>15,109,078</u>
Supplemental disclosure:		
Cash paid for interest	\$ 74,423	85,475
In-kind gifts – investments	1,286,843	1,211,463
Land, buildings, and equipment acquisitions that were reflected in accounts payable and accrued expenses	—	263,000

See accompanying independent auditors' report

**BOYS & GIRLS CLUBS OF AMERICA – NATIONAL ORGANIZATION  
(EXCLUDING SUBSIDIARY ORGANIZATIONS)**

Statement of Functional Expenses – Information

Year ended December 31, 2014

	Program services			Supporting services			Total expenses
	On-site assistance to member clubs and establishment of new clubs	Leadership training, development, and support of youth programs	Total program services	Management and general	Fund-raising	Total supporting services	
Salary	\$ 16,701,058	7,267,685	23,968,743	8,226,672	5,476,693	13,703,365	37,672,108
Benefits	3,453,690	1,629,122	5,082,812	1,734,676	722,440	2,457,116	7,539,928
Payroll taxes	1,193,547	509,039	1,702,586	583,369	367,037	950,406	2,652,992
Total salaries and related expenses	21,348,295	9,405,846	30,754,141	10,544,717	6,566,170	17,110,887	47,865,028
Contractual services	5,909,927	2,960,851	8,870,778	3,443,803	1,489,634	4,933,437	13,804,215
Supplies	658,526	429,711	1,088,237	233,624	109,061	342,685	1,430,922
Telephone	367,716	105,867	473,583	106,681	94,574	201,255	674,838
Postage and shipping	294,364	173,807	468,171	172,627	57,459	230,086	698,257
Occupancy	608,476	116,179	724,655	1,184,975	107,944	1,292,919	2,017,574
Printing and artwork	368,864	333,788	702,652	184,467	67,325	251,792	954,444
Travel	3,475,768	1,138,467	4,614,235	577,214	756,364	1,333,578	5,947,813
Training conferences	1,444,473	865,785	2,310,258	672,887	106,889	779,776	3,090,034
Membership dues	45,026	2,703	47,729	52,869	11,434	64,303	112,032
Awards and grants	16,955,734	30,144,527	47,100,261	—	—	—	47,100,261
Interest expense	—	—	—	78,065	—	78,065	78,065
Miscellaneous	235,997	49,306	285,303	387,142	50,468	437,610	722,913
Depreciation	231,259	135,512	366,771	214,392	52,587	266,979	633,750
Total expenses	\$ 51,944,425	45,862,349	97,806,774	17,853,463	9,469,909	27,323,372	125,130,146

See accompanying independent auditor's report.

**BOYS & GIRLS CLUBS OF AMERICA – NATIONAL ORGANIZATION  
(EXCLUDING SUBSIDIARY ORGANIZATIONS)**

Statement of Functional Expenses – Information

Year ended December 31, 2013

	Program services			Supporting services			Total expenses
	On-site assistance to member clubs and establishment of new clubs	Leadership training, development, and support of youth programs	Total program services	Management and general	Fund-raising	Total supporting services	
Salary	\$ 11,483,122	10,470,243	21,953,365	7,492,424	5,011,701	12,504,125	34,457,490
Benefits	2,365,770	2,594,970	4,960,740	1,807,297	580,779	2,388,076	7,348,816
Payroll taxes	782,565	802,044	1,584,609	437,122	345,065	782,187	2,366,796
Total salaries and related expenses	14,631,457	13,867,257	28,498,714	9,736,843	5,937,545	15,674,388	44,173,102
Contractual services	2,280,480	7,524,276	9,804,756	1,293,303	321,747	1,615,050	11,419,806
Supplies	353,070	788,774	1,141,844	146,386	84,511	230,897	1,372,741
Telephone	326,281	143,119	469,400	116,227	91,777	208,004	677,404
Postage and shipping	210,126	228,648	438,774	155,475	33,116	188,591	627,365
Occupancy	1,071,869	280,563	1,352,432	597,835	212,322	810,157	2,162,589
Printing and artwork	256,850	341,323	598,173	191,106	32,683	223,789	821,962
Travel	2,963,361	1,514,412	4,477,773	432,359	706,547	1,138,906	5,616,679
Training conferences	726,487	1,551,401	2,277,888	172,026	95,776	267,802	2,545,690
Membership dues	11,186	3,581	14,767	51,632	3,395	55,027	69,794
Awards and grants	10,868,561	40,680,435	51,548,996	—	—	—	51,548,996
Interest expense	—	—	—	56,465	—	56,465	56,465
Miscellaneous	375,531	247,273	622,804	539,028	85,549	624,577	1,247,381
Depreciation	466,685	262,196	728,881	245,120	63,563	308,683	1,037,564
Total expenses	\$ 34,541,944	67,433,258	101,975,202	13,733,805	7,668,531	21,402,336	123,377,538

See accompanying independent auditor's report.