



**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS CLUBS OF ALLSTON-BRIGHTON**

**FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS CLUBS OF ALLSTON-BRIGHTON**

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December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of
West End House, Inc. d/b/a West End House Boys and
Girls Clubs of Allston-Brighton:

Report on the Financial Statements

We have audited the accompanying financial statements of West End House, Inc. d/b/a West End House Boys and Girls Clubs of Allston-Brighton (a Massachusetts nonprofit corporation) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West End House, Inc. d/b/a West End House Boys and Girls Clubs of Allston-Brighton as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
April 11, 2016

WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS CLUBS OF ALLSTON-BRIGHTON

Statements of Financial Position
December 31, 2015 and 2014

Assets	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets:						
Cash	\$ 254,071	\$ 871,276	\$ 1,125,347	\$ 119,901	\$ 342,227	\$ 462,128
Current portion of pledges and grants receivable	270,105	1,729,405	1,999,510	325,921	177,336	503,257
Contracts receivable	59,288	-	59,288	38,629	-	38,629
Prepaid expenses	28,260	-	28,260	18,735	-	18,735
Total current assets	<u>611,724</u>	<u>2,600,681</u>	<u>3,212,405</u>	<u>503,186</u>	<u>519,563</u>	<u>1,022,749</u>
Pledges and Grants Receivable, net of current portion and discount	-	1,974,383	1,974,383	-	-	-
Investments	300,715	2,238,103	2,538,818	294,001	2,399,798	2,693,799
Property and Equipment, net of accumulated depreciation	5,432,503	-	5,432,503	5,385,756	-	5,385,756
Total assets	<u>\$ 6,344,942</u>	<u>\$ 6,813,167</u>	<u>\$ 13,158,109</u>	<u>\$ 6,182,943</u>	<u>\$ 2,919,361</u>	<u>\$ 9,102,304</u>
Liabilities and Net Assets						
Current Liabilities:						
Current portion of note payable	\$ 105,714	\$ -	\$ 105,714	\$ 70,729	\$ -	\$ 70,729
Accounts payable and accrued expenses	163,245	-	163,245	154,523	-	154,523
Deferred revenue	-	-	-	4,241	-	4,241
Total current liabilities	<u>268,959</u>	<u>-</u>	<u>268,959</u>	<u>229,493</u>	<u>-</u>	<u>229,493</u>
Note Payable, net of current portion	1,434,364	-	1,434,364	1,558,075	-	1,558,075
Total liabilities	<u>1,703,323</u>	<u>-</u>	<u>1,703,323</u>	<u>1,787,568</u>	<u>-</u>	<u>1,787,568</u>
Net Assets:						
Unrestricted:						
Operating	467,133	-	467,133	379,473	-	379,473
Board designated	98,971	-	98,971	106,396	-	106,396
Capital reserve	183,090	-	183,090	152,554	-	152,554
Property and equipment	3,892,425	-	3,892,425	3,756,952	-	3,756,952
Total unrestricted	<u>4,641,619</u>	<u>-</u>	<u>4,641,619</u>	<u>4,395,375</u>	<u>-</u>	<u>4,395,375</u>
Temporarily restricted:						
Purpose restricted	-	615,736	615,736	-	631,792	631,792
Time restricted	-	33,460	33,460	-	116,000	116,000
Comprehensive campaign	-	4,146,741	4,146,741	-	-	-
Endowment	-	2,017,230	2,017,230	-	2,171,569	2,171,569
Total temporarily restricted	<u>-</u>	<u>6,813,167</u>	<u>6,813,167</u>	<u>-</u>	<u>2,919,361</u>	<u>2,919,361</u>
Total net assets	<u>4,641,619</u>	<u>6,813,167</u>	<u>11,454,786</u>	<u>4,395,375</u>	<u>2,919,361</u>	<u>7,314,736</u>
Total liabilities and net assets	<u>\$ 6,344,942</u>	<u>\$ 6,813,167</u>	<u>\$ 13,158,109</u>	<u>\$ 6,182,943</u>	<u>\$ 2,919,361</u>	<u>\$ 9,102,304</u>

The accompanying notes are an integral part of these statements.

WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS CLUBS OF ALLSTON-BRIGHTON

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenue and Support:						
Special events:						
Event contributions and support	\$ 422,797	\$ 8,500	\$ 431,297	\$ 411,623	\$ 70,000	\$ 481,623
Net assets released from time restrictions - event	70,000	(70,000)	-	45,000	(45,000)	-
Less - direct expenses	124,932	-	124,932	89,737	-	89,737
Net special events	367,865	(61,500)	306,365	366,886	25,000	391,886
Corporate/Foundation grants and contributions	1,275,601	340,378	1,615,979	642,150	372,692	1,014,842
Government grants	284,504	16,098	300,602	280,649	14,634	295,283
Individual contributions	227,759	-	227,759	337,235	-	337,235
Investment earnings appropriated for operations	133,021	-	133,021	131,019	-	131,019
Rental fees and other	52,019	-	52,019	49,766	-	49,766
In-kind contributions	11,239	-	11,239	13,084	-	13,084
Group events and membership dues	2,205	-	2,205	2,393	-	2,393
Net assets released from restrictions	386,214	(386,214)	-	346,292	(346,292)	-
Total operating revenue and support	2,740,427	(91,238)	2,649,189	2,169,474	66,034	2,235,508
Operating Expenses:						
Program services	2,093,801	-	2,093,801	1,845,922	-	1,845,922
General and administrative	209,877	-	209,877	193,559	-	193,559
Fundraising	290,876	-	290,876	199,408	-	199,408
Total operating expenses	2,594,554	-	2,594,554	2,238,889	-	2,238,889
Changes in net assets from operations before depreciation	145,873	(91,238)	54,635	(69,415)	66,034	(3,381)
Depreciation	286,438	-	286,438	284,073	-	284,073
Changes in net assets from operations	(140,565)	(91,238)	(231,803)	(353,488)	66,034	(287,454)
Other Revenue (Expenses):						
Comprehensive campaign contributions	74,531	4,146,741	4,221,272	-	-	-
Capital contributions	334,848	-	334,848	88,963	-	88,963
Endowment and Scholarship Fund contributions	-	7,145	7,145	-	28,495	28,495
Comprehensive campaign expenses	(15,143)	-	(15,143)	(56,536)	-	(56,536)
Investment earnings (loss)	(2,042)	(41,206)	(43,248)	750	10,069	10,819
Investment earnings appropriated for operations	(133,021)	-	(133,021)	(131,019)	-	(131,019)
Net assets released from restrictions	127,636	(127,636)	-	125,783	(125,783)	-
Loss on disposal of property and equipment	-	-	-	(41,568)	-	(41,568)
Net assets released from capital restrictions	-	-	-	-	(56,726)	(56,726)
Total other revenue (expenses)	386,809	3,985,044	4,371,853	(13,627)	(143,945)	(157,572)
Changes in net assets	246,244	3,893,806	4,140,050	(367,115)	(77,911)	(445,026)
Net Assets:						
Beginning of year	4,395,375	2,919,361	7,314,736	4,762,490	2,997,272	7,759,762
End of year	\$ 4,641,619	\$ 6,813,167	\$ 11,454,786	\$ 4,395,375	\$ 2,919,361	\$ 7,314,736

The accompanying notes are an integral part of these statements.

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS CLUBS OF ALLSTON-BRIGHTON**

Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 4,140,050	\$ (445,026)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Comprehensive campaign contributions	(4,146,741)	-
Depreciation	286,438	284,073
Bad debts	35,000	13,500
Realized and unrealized loss on investments, net	81,159	33,630
Loss on disposal of property and equipment	-	41,568
Donated stock	(40,034)	(53,454)
Changes in operating assets and liabilities:		
Pledges and grants receivable	(66,253)	(2,755)
Contracts receivable	(20,659)	(16,656)
Prepaid expenses	(9,525)	19,028
Accounts payable and accrued expenses	8,722	44,714
Deferred revenue	(4,241)	(40,759)
	<u>263,916</u>	<u>(122,137)</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(333,185)	(139,034)
Proceeds from sale of investments	1,711,648	977,652
Purchase of investments	(1,597,792)	(791,778)
	<u>(219,329)</u>	<u>46,840</u>
Cash Flows from Financing Activities:		
Principal payments on note payable	(88,726)	(66,128)
Comprehensive campaign contributions	707,358	-
	<u>618,632</u>	<u>(66,128)</u>
Net Change in Cash	<u>663,219</u>	<u>(141,425)</u>
Cash:		
Beginning of year	<u>462,128</u>	<u>603,553</u>
End of year	<u><u>1,125,347</u></u>	<u><u>\$ 462,128</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u><u>\$ 70,076</u></u>	<u><u>\$ 92,607</u></u>

WEST END HOUSE, INC.
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Statements of Functional Expenses
For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Salaries and Related:								
Salaries	\$ 1,034,915	\$ 73,425	\$ 212,350	\$ 1,320,690	\$ 880,537	\$ 68,614	\$ 137,131	\$ 1,086,282
Employee benefits	130,337	9,742	28,402	168,481	102,346	8,576	16,114	127,036
Payroll taxes	89,424	6,303	17,952	113,679	82,153	7,028	12,796	101,977
Contract services	81,608	-	-	81,608	55,719	-	-	55,719
Stipends	9,047	-	-	9,047	14,866	-	-	14,866
Total salaries and related	1,345,331	89,470	258,704	1,693,505	1,135,621	84,218	166,041	1,385,880
Occupancy:								
Repairs and maintenance	182,858	8,032	2,222	193,112	122,527	5,711	-	128,238
Utilities	168,158	5,307	3,540	177,005	159,046	6,023	3,347	168,416
Interest	63,655	3,349	-	67,004	87,896	4,625	-	92,521
Insurance	25,414	1,335	-	26,749	28,469	1,497	-	29,966
Total occupancy	440,085	18,023	5,762	463,870	397,938	17,856	3,347	419,141
Other:								
Professional fees	71,500	64,682	21,563	157,745	72,820	75,331	25,805	173,956
Food	64,046	-	-	64,046	56,687	-	-	56,687
Program supplies and other	63,769	-	184	63,953	90,442	-	-	90,442
Bad debts	-	35,000	-	35,000	-	13,500	-	13,500
Staff development	22,121	80	495	22,696	8,723	517	1,343	10,583
Postage and printing	18,407	124	2,304	20,835	12,388	76	1,572	14,036
Dues and subscriptions	16,780	1,014	310	18,104	16,733	803	200	17,736
Scholarships	12,049	-	-	12,049	11,847	-	-	11,847
Donated goods and services	11,239	-	-	11,239	13,084	-	-	13,084
Miscellaneous	9,686	741	664	11,091	9,630	753	446	10,829
Telephone	7,851	251	165	8,267	8,650	272	181	9,103
Transportation	6,142	-	303	6,445	5,868	60	342	6,270
Office supplies	4,795	492	422	5,709	5,491	173	131	5,795
Total other	308,385	102,384	26,410	437,179	312,363	91,485	30,020	433,868
Total expenses before depreciation	2,093,801	209,877	290,876	2,594,554	1,845,922	193,559	199,408	2,238,889
Depreciation	266,386	14,324	5,728	286,438	269,869	8,522	5,682	284,073
Total operating expenses	<u>\$ 2,360,187</u>	<u>\$ 224,201</u>	<u>\$ 296,604</u>	<u>\$ 2,880,992</u>	<u>\$ 2,115,791</u>	<u>\$ 202,081</u>	<u>\$ 205,090</u>	<u>\$ 2,522,962</u>

The accompanying notes are an integral part of these statements.

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS CLUBS OF ALLSTON-BRIGHTON**

Notes to Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

The mission of West End House, Inc. d/b/a West End House Boys and Girls Clubs of Allston-Brighton (the Club) is to inspire and enable young people, especially those from disadvantaged backgrounds, to realize their full potential as productive, responsible and caring citizens. The Club is an independent Boys and Girls Club in the City of Boston that provides outcome-driven programs to Boston youth residing in the most underserved neighborhoods. These high-impact programs provide opportunities in critical areas of youth development, ensuring that young people most in need are succeeding academically, exploring the arts, developing career readiness skills, and adopting healthy lifestyles.

With 75% of the Club's families earning less than \$25,000 per year and 70% of the young people served coming from single-parent households, the Club is truly reaching the children and teens most in need. The membership fee is only \$15 annually, to ensure there are no financial barriers to participation. Even with such a low fee, more than half of the young people are provided scholarships by the Club.

The Club offers its 1,500 members an integrated array of programs across four broad areas: leadership and career development; academic and college success; fitness and nutrition; and visual and performing arts. In support of these programs, the Club also serves nearly 2,000 healthy hot meals to members every week.

In September 2015, the Club expanded its programming to offer services during the school day through a partnership with the Jackson/Mann K-8 School (Jackson/Mann), a Boston public school. The program originated after the Jackson/Mann was selected to be in the City of Boston's Mayor's Extended Learning Time (ELT) initiative. For three days per week, during the school day, in three one-hour blocks (one hour per student group), all 1st through 8th grade students, including a group of students with autism, from Jackson/Mann are served through this initiative. Students arrive at the Club during the school day to engage in the programming led and delivered by the Club staff including educational enrichment, visual arts, life skills, fitness, music, and video.

A key tool used by the Club to ensure the continuing, consistent and customized attention is WISDOM: The Club's Internal System for Developmental Outcomes Measurement. This system allows staff members to create and monitor a nuanced picture of how each child is doing. If necessary, an intervention plan is developed to address any issues or problems, so no child falls through the cracks. Data is also aggregated and analyzed to inform program development and resource allocation. The WISDOM tool currently tracks 275 Club members, with plans to increase to 350 over the next three years.

The Club is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Club is also exempt from state income taxes. Contributions made to the Club are deductible by donors within the requirements of the IRC.

SIGNIFICANT ACCOUNTING POLICIES

The Club prepares its financial statements in accordance with generally accepted accounting standards (U.S. GAAP) and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS CLUBS OF ALLSTON-BRIGHTON**

Notes to Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

- Unrestricted grants and contributions from foundations, corporations, and individuals are recognized as revenue when received or unconditionally pledged.
- Government grants are recognized as expenses are incurred.
- Revenue from special events is recognized in the period in which the event occurs.
- Grants and contributions designated for a specific purpose or period are recognized as temporarily restricted revenue and support and net assets when received or unconditionally pledged. Transfers are made to unrestricted revenue and support and net assets as services are provided and costs are incurred or as time restrictions lapse. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets.
- Group events and membership dues and rental fees and other are recognized when earned.
- Interest income is recorded as earned and dividend income is recorded on the ex-dividend date. Realized gains or losses on investment transactions are recorded using the average cost method. Unrealized gains and losses are recognized based on fair value changes during the period (see Note 2).

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and operating expenses on the accompanying statements of activities and changes in net assets. Peripheral or incidental transactions are reported as other revenue (expenses). Other revenue (expenses) includes activity related to the comprehensive campaign (see Note 10), capital grants for long-lived assets, endowment contributions, investment activity (see Note 2) and other income.

Allowance for Uncollectible Accounts

The Club records an allowance for uncollectible accounts based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. Accounts are written off when they are determined to be uncollectible and are recorded as bad debt. There was no allowance for uncollectible accounts deemed necessary as of December 31, 2015 and 2014.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS CLUBS OF ALLSTON-BRIGHTON**

Notes to Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a program are allocated to program expenses, while other expenses are allocated based upon management's estimate of the percentage attributable to program services, general and administrative and fundraising.

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at the estimated market value at the date of gift, if donated. Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. Property and equipment are depreciated using the straight-line method over estimated useful lives and consist of the following at December 31:

	<u>Estimated Useful Lives</u>	<u>2015</u>	<u>2014</u>
Building and improvements	10 and 40 years	\$ 7,943,460	\$ 7,920,460
Furniture and equipment	3 - 10 years	572,996	567,858
Construction in progress	N/A	305,047	-
Land	N/A	<u>25,374</u>	<u>25,374</u>
		8,846,877	8,513,692
Less - accumulated depreciation		<u>3,414,374</u>	<u>3,127,936</u>
Net property and equipment		<u>\$ 5,432,503</u>	<u>\$ 5,385,756</u>

Construction in progress consisted of building renovations related to the comprehensive campaign (see Note 10).

Substantially all property and equipment are pledged as collateral in connection with a mortgage note payable and the line of credit agreement (see Notes 4 and 5).

In-Kind Contributions

During the years ended December 31, 2015 and 2014, the Club received \$11,239 and \$13,084, respectively, of donated program supplies and services, which are reflected as in-kind contributions revenue and donated goods and services in the accompanying statements of activities and changes in net assets and functional expenses.

During the years ended December 31, 2015 and 2014, the Club had volunteers who donated their time to the Club's program services. The fair value of these services is not reflected in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP.

Fair Value Measurements

The Club follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Club would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

**WEST END HOUSE, INC.
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Notes to Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Club uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Club. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The Club values its qualifying assets and liabilities using Level 1 inputs.

Investments

The Club records its investments at fair value. If an investment is directly held by the Club and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year.

Investment Spending Policy

The Club's investment policy sets forth guidelines for prudent investment of funds, taking into account liquidity, growth, risk, and return characteristics appropriate for different categories of the Club's investments. Under this policy, funds are invested to produce a relatively high level of income commensurate with prudent diversification and moderate risks. Investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends).

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS CLUBS OF ALLSTON-BRIGHTON**

Notes to Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Spending Policy (Continued)

In accordance with the Club's annual investment spending policy, annual withdrawals of the Endowment and Board designated funds (collectively, the Funds) (see Note 6) shall not exceed an amount equal to five percent of the average market value of the Funds over a rolling three-year period ending on June 30 of the previous fiscal year, unless otherwise authorized by the Board of Directors. Annual withdrawals of the Scholarship fund shall also not exceed more than five percent of the average market value of the Scholarship fund (see Note 6) over a three-year period ending June 30 of each fiscal year, unless otherwise authorized by the Board of Directors.

During the years ended December 31, 2015, and 2014, the Club appropriated for operations \$133,021 and \$131,019, respectively, of the Board designated, Endowment and Scholarship funds (see Note 6) under the Club's investment spending policy. The amount appropriated is reflected as investment earnings appropriated for operations in the accompanying statements of activities and changes in net assets for the years ended December 31, 2015 and 2014.

Deferred Revenue

Deferred revenue at December 31, 2014 represents rental fees received in advance.

Subsequent Events

Subsequent events have been evaluated through April 11, 2016, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Income Taxes

The Club accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Club has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2015 and 2014. The Club's tax returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

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Notes to Financial Statements
December 31, 2015 and 2014

2. INVESTMENTS

Investments are presented in the accompanying financial statements at fair value. The Club's investments consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 253,960	\$ 181,653
Equities:		
International developed	300,862	406,823
U.S. large cap	389,069	471,264
Others	442,420	523,105
Fixed income:		
Investment grade taxable	1,112,933	1,048,673
International developed bonds	18,154	34,216
Others	<u>21,420</u>	<u>28,065</u>
Total investments	<u>\$ 2,538,818</u>	<u>\$ 2,693,799</u>

Investment earnings (loss) consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Realized gain (loss)	\$ (98,144)	\$ 138,553
Unrealized gain (loss)	16,985	(172,183)
Interest and dividends, net of related fees	<u>37,911</u>	<u>44,449</u>
	<u>\$ (43,248)</u>	<u>\$ 10,819</u>

Investment fees were \$24,580 and \$23,479 for the years ended December 31, 2015 and 2014, respectively.

The Club intends to hold its investments indefinitely. Accordingly, the investments are shown as long-term assets in the accompanying statements of financial position regardless of maturity. Investments are not insured and are subject to ongoing market fluctuations.

3. PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are recorded at their net present value when unconditionally committed. Approximately 47% and 60% of the Club's pledges and grants receivable at December 31, 2015 and 2014, respectively, were from two and three donors, respectively.

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3. PLEDGES AND GRANTS RECEIVABLE (Continued)

Pledges and grants receivable were due as follows at December 31:

	<u>2015</u>	<u>2014</u>
Due within one year	\$ 1,999,510	\$ 503,257
Due within one to five years	<u>2,025,000</u>	<u>-</u>
	4,024,510	503,257
Less: discount	(50,617)	-
Less: current portion	<u>(1,999,510)</u>	<u>-</u>
Total non-current portion	<u>\$ 1,974,383</u>	<u>\$ -</u>

Pledges due beyond one year have been discounted using a 2% discount rate.

4. LINE OF CREDIT

Effective February 2015, the Club has a \$500,000 revolving line of credit agreement with a bank. Interest on outstanding borrowings is at the bank's prime lending rate (3.5% at December 31, 2015) plus 1%, with a floor of 4.25%. The line of credit is cross-collateralized with a mortgage note payable (see Note 5) and expires in February 2018. There was no outstanding balance at December 31, 2015.

5. NOTE PAYABLE

Note payable consists of the following:

	<u>2015</u>	<u>2014</u>
3.5% mortgage note payable to a bank, due in monthly installments of principal and interest of \$13,234. The interest rate changed to 3.5% from 5.5% on May 1, 2015 based on the agreement terms and adjusts annually in May based on the Federal Home Loan Bank One-Year Advanced Borrowing Rate. The note was originally scheduled to mature in March 2035. Due to the acceleration of principal payments, the note is now scheduled to mature in February 2030. The note is secured by a mortgage and an assignment of all pledges relating to building and improvements (see Notes 1 and 3). The Club accrued interest of \$4,642 and \$7,714 at December 31, 2015 and 2014, respectively.	\$ 1,540,078	\$ 1,628,804
Less - current portion	<u>105,714</u>	<u>70,729</u>
	<u>\$ 1,434,364</u>	<u>\$ 1,558,075</u>

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5. NOTE PAYABLE (Continued)

Aggregate maturities of long-term debt over the next five years (assuming the interest rate on the mortgage note remains at 3.5%) are as follows:

2016	\$ 105,714
2017	\$ 109,679
2018	\$ 113,635
2019	\$ 117,495
2020	\$ 121,864

The mortgage note agreement contains various administrative covenants with which the Club must comply. The Club was in compliance with these covenants at December 31, 2015 and 2014.

6. NET ASSETS

Unrestricted Net Assets

Unrestricted net assets include the following:

Operating - consist of amounts relating to program and other operating activities, which bear no external restrictions.

Board designated - represent funds set aside by the Board of Directors for long-term investment purposes and future expansion of program activities. The use of these funds requires the approval of the Board of Directors.

Capital reserve - represent funds set aside by the Board of Directors for repairs and improvements to the Club's facility. The use of this reserve requires the approval of the Board of Directors.

Property and equipment - reflect amounts expended and resources available for property and equipment, net of related debt.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts received with time or purpose restrictions, which have not yet been expended for their purposes. Temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Program restricted	\$ 394,863	\$ 403,563
Scholarships	220,873	228,229
Other time restricted	33,460	116,000
Comprehensive campaign	4,146,741	-
Endowment fund	<u>2,017,230</u>	<u>2,171,569</u>
	<u>\$ 6,813,167</u>	<u>\$ 2,919,361</u>

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6. NET ASSETS (Continued)

Temporarily Restricted Net Assets (Continued)

Investment earnings on the Endowment fund (the Fund) are recorded as temporarily restricted net assets as specified by the donors. Net investment loss on the fund was \$(38,751) for the year ended December 31, 2015, and net investment gain on the Fund was \$14,254 for the year ended December 31, 2014. These amounts are included in investment earnings in the accompanying statements of activities and changes in net assets. The term endowment is an internal term not used in the traditional manner that would otherwise indicate permanently restricted net assets. The Club is not required to permanently maintain any portion of the Fund.

Changes in Endowment net assets by class are as follows for the years ended December 31, 2015 and 2014:

	<u>Unrestricted Board- Designated</u>	<u>Temporarily Restricted Endowment</u>	<u>Total Endowment</u>
Endowment net assets, December 31, 2013	\$ <u>110,878</u>	\$ <u>2,252,280</u>	\$ <u>2,363,158</u>
Endowment donation	<u>-</u>	<u>18,975</u>	<u>18,975</u>
Investment return:			
Interest and dividends	2,025	38,487	40,512
Net realized and unrealized losses	<u>(1,275)</u>	<u>(24,233)</u>	<u>(25,508)</u>
Total investment return	<u>750</u>	<u>14,254</u>	<u>15,004</u>
Appropriation of Endowment assets for expenditure	<u>(5,232)</u>	<u>(113,940)</u>	<u>(119,172)</u>
Endowment net assets, December 31, 2014	<u>106,396</u>	<u>2,171,569</u>	<u>2,277,965</u>
Investment return:			
Interest and dividends	1,572	29,868	31,440
Net realized and unrealized losses	<u>(3,612)</u>	<u>(68,619)</u>	<u>(72,231)</u>
Total investment return	<u>(2,040)</u>	<u>(38,751)</u>	<u>(40,791)</u>
Appropriation of Endowment assets for expenditure	<u>(5,385)</u>	<u>(115,588)</u>	<u>(120,973)</u>
Endowment net assets, December 31, 2015	<u>\$ 98,971</u>	<u>\$ 2,017,230</u>	<u>\$ 2,116,201</u>

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7. CONCENTRATION OF CREDIT RISK

The Club maintains its cash balances in a Massachusetts bank. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. During the years ended December 31, 2015 and 2014, the Club's cash balances exceeded the insured amounts. The Club has not experienced any losses in such accounts. The Club believes it is not exposed to any significant credit risk on its cash.

8. PENSION PLAN

The Club has a defined contribution pension plan covering all eligible employees. Employees become eligible to participate after reaching age twenty-one and completing one year of service. The Club contributes annually up to 10% of each employee's annual salary. The Club's contributions in the participant's account are 100% vested after three years of service. Pension expense was \$71,614 and \$50,440 for the years ended December 31, 2015 and 2014, respectively, which is included in employee benefits in the accompanying statements of functional expenses.

9. RELATED PARTY TRANSACTIONS

The Club's Executive Director is on the Board of Directors for other nonprofit organizations. During 2015, the Club received \$127,728 in contributions from these organizations, \$37,728 of which is included in corporate/foundation grants and contributions and \$90,000 is included in comprehensive campaign capital in the accompanying statement of activities and changes in net assets. During 2014, the Club received \$46,954 in contributions from these organizations, \$36,452 of which is included in corporate/foundation grants and contributions, \$10,000 is included in special event revenue and \$502 as in-kind contributions in the accompanying statement of activities and changes in net assets.

During 2015, the Club received in-kind services for snow removal from a Board member's company valued at \$9,095 which is included in in-kind contributions in the accompanying statement of activities and changes in net assets at December 31, 2015 (see Note 1 *In-Kind Contributions*).

10. COMPREHENSIVE CAMPAIGN

In August 2014 the Board approved a \$22 million comprehensive campaign to raise funds for building renovation and expansion, capital growth, program support and other initiatives. Campaign contributions for the year ended December 31, 2015 were \$5,335,987. The Club incurred \$15,143 and \$56,536 of costs associated with the comprehensive campaign for the years ended December 31, 2015 and 2014, respectively. The Club capitalized \$305,047 in construction in progress costs in 2015 as part of the campaign initiatives.

11. RECLASSIFICATIONS

Certain amounts in the 2014 financial statements were reclassified to conform with the 2015 presentation.