The Boys and Girls Clubs of Boston, Inc.

Financial Statements

Years Ended June 30, 2011 and 2010

The Boys and Girls Clubs of Boston, Inc.

FINANCIAL STATEMENTS
Years Ended June 30, 2011 and 2010

C O N T E N T S

McGladrey

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of The Boys and Girls Clubs of Boston, Inc. (the "Organization") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Boys and Girls Clubs of Boston, Inc. as of June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

November 22, 2011
Boston, Massachusetts

The Boys and Girls Clubs of Boston, Inc.

Statements of Financial Position

June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents (Note 11)	**$ 2,276,597**	$ 2,407,043
Short-term investments, at fair value (Notes 7 and 8)	**855,670**	1,044,854
Reimbursable program grant expenditures	**282,594**	131,450
Prepaid expenses and other assets	**1,142,319**	536,442
Pledges receivable (Notes 3, 4, 5 and 16)	**10,737,287**	10,554,291
Long-term investments, at fair value (Notes 7 and 8)	**29,196,640**	23,834,922
Land, buildings and equipment, at cost, net (Note 12)	**27,359,070**	28,602,514
Total assets	**$ 71,850,177**	$ 67,111,516
LIABILITIES AND NET ASSETS		
Note payable (Note 11)	**$ 724,500**	$ 913,500
Accounts payable - trade	**268,073**	267,248
Accrued expenses (Note 9)	**2,303,515**	2,847,144
Deferred revenue	**752,542**	304,265
Total liabilities	**4,048,630**	4,332,157
Net assets:		
Unrestricted	**31,132,523**	30,210,564
Temporarily restricted (Notes 4 and16)	**10,223,797**	6,222,766
Permanently restricted (Notes 5 and 16)	**26,445,227**	26,346,029
Total net assets	**67,801,547**	62,779,359
Total liabilities and net assets	**$ 71,850,177**	$ 67,111,516

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Activities
Years Ended June 30, 2011 and 2010

	2011				2010			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
United Way contributions	**$ 791,013**	**$ -**	**$ -**	**$ 791,013**	$ 724,247	$ -	$ -	$ 724,247
Contributions and benefits	**7,368,803**	**4,378,323**	**99,198**	**11,846,324**	5,851,867	2,802,902	232,176	8,886,945
Grants from governmental agencies	**806,950**	**-**	**-**	**806,950**	862,540	-	-	862,540
Parent fees, vouchers, member dues, and club camp fees	**794,599**	**-**	**-**	**794,599**	812,990	-	-	812,990
Gifts-in-kind (Note 14)	**204,154**	**-**	**-**	**204,154**	214,721	-	-	214,721
Service and other income	**2,046,449**	**-**	**-**	**2,046,449**	1,606,013	-	-	1,606,013
Investment income on long-term investments designated by the Board for operations (Note 6)	**166,426**	**880,794**	**-**	**1,047,220**	672,808	228,580	-	901,388
Recovery (provision) for pledges	**-**	**687,390**	**-**	**687,390**	-	(1,625,299)	(2,940,148)	(4,565,447)
Net assets released from restrictions (Note 6)	**4,438,407**	**(4,438,407)**	**-**	**-**	4,174,108	(4,174,108)	-	-
Total revenues, gains and other support	**16,616,801**	**1,508,100**	**99,198**	**18,224,099**	14,919,294	(2,767,925)	(2,707,972)	9,443,397
Operating expenses (Notes 9, 10, 13,14 and 15):								
Program services	**12,009,557**	**-**	**-**	**12,009,557**	11,124,651	-	-	11,124,651
Management and general	**1,381,069**	**-**	**-**	**1,381,069**	1,342,687	-	-	1,342,687
Fundraising	**2,699,046**	**-**	**-**	**2,699,046**	2,039,880	-	-	2,039,880
Total operating expenses	**16,089,672**	**-**	**-**	**16,089,672**	14,507,218	-	-	14,507,218
Income (loss) from operations before depreciation	**527,129**	**1,508,100**	**99,198**	**2,134,427**	412,076	(2,767,925)	(2,707,972)	(5,063,821)
Depreciation expense (Note 12)	**1,616,403**	**-**	**-**	**1,616,403**	1,636,489	-	-	1,636,489
Income (loss) from operations	**(1,089,274)**	**1,508,100**	**99,198**	**518,024**	(1,224,413)	(2,767,925)	(2,707,972)	(6,700,310)
Non-operating activities:								
Net assets released from restriction (capital expenditures) (Note 6)	**10,668**	**(10,668)**	**-**	**-**	14,892	(14,892)	-	-
Investment income on long-term investment designated by the Board for operations (Note 16)	**(166,426)**	**(880,794)**	**-**	**(1,047,220)**	(672,808)	(228,580)	-	(901,388)
Interest and dividend income (Note 16)	**89,875**	**293,944**	**-**	**383,819**	189,842	46,920	-	236,762
Investment expense	**(34,335)**	**-**	**-**	**(34,335)**	(30,294)	-	-	(30,294)
Net realized gains (losses) on investments (Note 16)	**(19,808)**	**(43,219)**	**-**	**(63,027)**	835	3,377	-	4,212
Net unrealized gains on investments (Note 16)	**1,436,577**	**3,133,668**	**-**	**4,570,245**	1,451,250	531,283	-	1,982,533
Pension liability adjustment (Note 9)	**694,682**	**-**	**-**	**694,682**	(721,076)	-	-	(721,076)
Non-operating gains (losses)	**2,011,233**	**2,492,931**	**-**	**4,504,164**	232,641	338,108	-	570,749
Change in net assets	**921,959**	**4,001,031**	**99,198**	**5,022,188**	(991,772)	(2,429,817)	(2,707,972)	(6,129,561)
Net assets, beginning of year	**30,210,564**	**6,222,766**	**26,346,029**	**62,779,359**	31,202,336	8,652,583	29,054,001	68,908,920
Net assets, end of year	**$ 31,132,523**	**$ 10,223,797**	**$ 26,445,227**	**$ 67,801,547**	$ 30,210,564	$ 6,222,766	$ 26,346,029	$ 62,779,359

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Functional Expenses
Years Ended June 30, 2011 and 2010

	2011				2010			
	Salaries and Wages	**Payroll Taxes and Fringe Benefits**	**Other Expenses**	**Total Operating Expenses**	Salaries and Wages	Payroll Taxes and Fringe Benefits	Other Expenses	Total Operating Expenses
Programs (direct expenses):								
Arts	**$ 362,245**	**$ 91,769**	**$ 19,525**	**$ 473,539**	$ 313,015	$ 80,627	$ 16,832	$ 410,474
Education	**442,209**	**113,006**	**146,055**	**701,270**	403,935	103,880	124,591	632,406
Leadership and character development	**146,492**	**37,548**	**104,038**	**288,078**	115,065	29,018	60,355	204,438
Life skills	**753,735**	**194,690**	**93,848**	**1,042,273**	730,474	187,854	134,357	1,052,685
Sports, fitness, recreation	**715,166**	**182,930**	**129,177**	**1,027,273**	609,137	157,108	69,501	835,746
Technology	**283,432**	**71,897**	**112,693**	**468,022**	250,975	64,019	198,177	513,171
Summer programs	**130,979**	**32,606**	**105,581**	**269,166**	151,937	37,849	92,082	281,868
School age child care	**249,936**	**64,190**	**48,440**	**362,566**	221,538	57,448	35,464	314,450
Member services	**295,798**	**73,909**	**152,044**	**521,751**	285,287	73,738	127,581	486,606
YouthConnect	**503,842**	**129,160**	**62,569**	**695,571**	618,750	159,725	67,983	846,458
Shared space sites	**520,507**	**126,455**	**123,639**	**770,601**	472,480	113,454	90,944	676,878
Camp Harbor View	**926,275**	**140,903**	**297,964**	**1,365,142**	707,868	100,885	201,958	1,010,711
Programs (support expenses):								
Facility maintenance, insurance and utilities	**250,156**	**64,015**	**1,307,006**	**1,621,177**	217,342	55,518	1,212,028	1,484,888
Program management and administration	**1,047,397**	**265,561**	**334,729**	**1,647,687**	1,047,673	268,174	271,302	1,587,149
Program development and staff support	**399,157**	**100,257**	**256,027**	**755,441**	440,679	109,375	236,669	786,723
Depreciation	**-**	**-**	**1,590,373**	**1,590,373**	-	-	1,613,156	1,613,156
Total program expenses, including depreciation expense	**7,027,326**	**1,688,896**	**4,883,708**	**13,599,930**	6,586,155	1,598,672	4,552,980	12,737,807
Management and general	**633,759**	**161,456**	**585,854**	**1,381,069**	624,540	150,509	567,638	1,342,687
Depreciation, management and general	**-**	**-**	**26,030**	**26,030**	-	-	23,333	23,333
Fundraising	**1,216,894**	**302,897**	**1,179,255**	**2,699,046**	1,066,880	247,762	725,238	2,039,880
Total operating expenses and depreciation expenses	**$ 8,877,979**	**$ 2,153,249**	**$ 6,674,847**	**$ 17,706,075**	$ 8,277,575	$ 1,996,943	$ 5,869,189	$ 16,143,707

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	**$ 5,022,188**	$ (6,129,561)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**1,616,403**	1,636,489
Net realized and unrealized (gains) losses on investments	**(4,507,218)**	(1,986,745)
Contributions received for long-term use	**(1,446,547)**	(3,563,617)
Provision (recovery) on pledges	**(687,390)**	2,940,148
Changes in operating assets and liabilities:		
Pledges receivable	**504,394**	5,351,324
Reimbursable program grant expenditures	**(151,144)**	244,307
Prepaid expenses and other assets	**(605,877)**	(122,335)
Accounts payable - trade	**825**	24,177
Accrued expenses	**(543,629)**	768,968
Deferred revenue	**448,277**	116,369
Total adjustments	**(5,371,906)**	5,409,085
Net cash used in operating activities	**(349,718)**	(720,476)
Cash flows from investing activities:		
Purchase of building improvements and equipment	**(372,959)**	(337,996)
Proceeds from sale of investments	**3,574,479**	252,104
Purchase of investments	**(4,239,795)**	(2,226,502)
Net cash used in investing activities	**(1,038,275)**	(2,312,394)
Cash flows from financing activities:		
Net repayments on note payable	**(189,000)**	(606,500)
Contributions received for long-term use	**1,446,547**	3,563,617
Net cash provided by financing activities	**1,257,547**	2,957,117
Net decrease in cash and cash equivalents	**(130,446)**	(75,753)
Cash and cash equivalents:		
Beginning of year	**2,407,043**	2,482,796
End of year	**$ 2,276,597**	$ 2,407,043
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	**$ 11,679**	$ 16,372

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Basis of Presentation

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

Net Assets

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

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

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

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of unrestricted revenues, expenses, and other changes in unrestricted net assets as net assets released from restrictions.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Net Assets…continued

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

Revenue Recognition

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

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

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

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

Contributions

Contributions received, including unconditional pledges, are initially recognized as revenues at fair value in the period the donor's commitments are received. Pledges made and collected in the same reporting period are recorded when received in the appropriate net asset category.

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

The Organization follows the guidance of FASB ASC 958-310-35 for subsequent measurement of unconditional promises to give if there are changes in the quantity or nature of promised assets.

If the fair value of a contribution receivable decreases because of changes in the quantity or nature of assets expected to be received, the decrease is recognized in the period in which the expectation changes and the increased allowance is reported as an expense or loss in the net asset class in which the net assets are represented.

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

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Contributions…continued

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

Donated Goods and Services

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

Investments

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

Investments in nonmarketable investments (alternative investments) are generally carried at fair value determined by management, relying upon the information provided by external investment managers. The estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The amount of realized and unrealized gain or loss associated with these investments is reflected in the accompanying financial statements along with such amounts relating to marketable investments. The Organization believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2011 and 2010.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Investments…continued

The Board of Directors of the Organization has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the

Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the funds, the purposes of the Organization and the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, and the investment policies of the Organization.

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

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

As approved by its Finance Committee, the Organization has a policy of appropriating for distribution each year 4.5 to 5 percent of its endowment fund’s average fair value over the prior 12 quarters through the preceding fiscal year-end. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at the total return less the spend policy.

The Boys and Girls Clubs of Boston, Inc.
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Investments…continued

This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Board of Directors has approved a 5% spending of approximately $1,198,000 for the fiscal year ending June 30, 2012.

Based on its spending policy, a portion of the Organization's cumulative net realized gains and net appreciation is allocated to operations in accordance with the Organization's investment policies and procedures. During the years ended June 30, 2011 and 2010, the Board approved the transfer of $1,047,220 and $901,388, respectively.

Fair Value Measurements

Effective for the year ended June 30, 2011, the Organization adopted Accounting Standards Update ("ASU") 2010-06, *Improving Disclosures about Fair Value Measurements*. This new accounting guidance under ASC 820, *Fair Value Measurements and Disclosures*, was issued by the FASB on January 21, 2010.

The additional disclosures required about fair value measurements include, among other things, *(a)* the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs, *(b)* the gross, rather than net, basis for certain Level 3 roll-forward information, *(c)* use of a "class" basis rather than a "major category" basis for assets and liabilities, and *(d)* valuation techniques and inputs used to estimate Level 2 and Level 3 fair value measurements. The following information incorporates these new disclosure requirements except for the Level 3 roll-forward information which is not required until fiscal year 2012.

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. In addition, the Organization reports certain investments using the net asset value per share as determined by the investment managers under the so-called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques or in accordance with net asset value practical expedient rules, which allow for Level 2 or Level 3 reporting depending on lock-up and notice periods associated with the underlying funds the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements…continued

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

Level 1 - Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 - Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data. . Level 2 also includes practical expedient investments with redemption periods of 90 days or less.

Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data. Level 3 also includes practical expedient investments with redemption periods of more than 90 days.

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

Equity Securities, Bonds, and Real Assets

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

Certificates of Deposit

Valuation inputs utilized by the bank for the certificates of deposit under level 2 are based on estimated cash flow projections that utilize an appropriate discount rate based on the maturity date.

There have been no changes to the valuation methodologies as of June 30, 2011 and 2010.

During the year ended June 30, 2011 and 2010, the Organization did not make any transfers between Level 1, Level 2, or Level 3 assets.

Fair value of financial instruments

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

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Operating Activities

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

Cash and Cash Equivalents

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

Accounts receivable

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

There was no allowance for doubtful accounts at June 30, 2011 and 2010. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received.

Land, Buildings and Equipment

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

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

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

The Organization has adopted FASB ASC 410, *Asset Retirement and Environmental Obligations*. This standard requires that a liability be recorded for the fair value of a conditional asset retirement obligation. The recording of a liability is required if the fair value of the obligation can be reasonably estimated. As of June 30, 2011 and 2010, the Organization is unaware of any such obligations. The Organization will recognize a liability in the period in which they become aware of such liability and sufficient information is available to reasonably estimate its fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Deferred Revenue

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited based on employee hours spent within a program or supporting service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements.

Liquidity

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

Contingencies

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

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-04, Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments in this Update to result in a change in the application of the requirements in Topic 820. Some of the amendments clarify the FASB’s intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The adoption of this guidance is not expected to have a material impact on the Organization’s financial statements.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements in order to conform to the 2011 presentation.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

2. TAX STATUS

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

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

The Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2008.

3. PLEDGES RECEIVABLE

Unconditional promises to give at June 30, 2011 and 2010 are expected to be realized in the following periods:

	2011	2010
In one year or less	$ 7,105,168	$ 6,468,291
Between one and five years	3,098,000	3,947,164
Greater than five years	5,181,007	5,681,007
	15,384,175	16,096,462
Less:		
Allowance for pledges	3,646,007	4,361,397
Discount to present value (ranging from 1.79%-4.92%)	1,000,881	1,180,774
	$ 10,737,287	$ 10,554,291

The methodology for calculating the fair value of the pledges, and the pledge allowance includes management’s review of individually significant outstanding pledges, analysis of the aging of payment schedules for all outstanding pledges, as well as other factors including current economic conditions. At June 30, 2011 and 2010, $3,555,007 and $4,261,007 of the allowance for pledges is associated with one pledge. Subsequent to June 30, 2011, the Organization received a payment on this pledge and, as a result, has reflected a partial recovery in the allowance.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

4. TEMPORARILY RESTRICTED NET ASSETS

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

	2011	2010
Teen programs	$ 6,757	$ 6,745
Technology programs	7,688	14,385
Education programs	15,117	122,118
Social worker programs	54,544	253,500
Other specific activities of the Organization	1,655,128	1,714,946
Scholarships	142,381	171,412
Comprehensive Campaign:		
Annual Fund	4,586,495	2,676,903
Roxbury Facility Campaign	133,533	144,201
Chelsea Facility Campaign	80,144	80,144
Green Street Facility Campaign	59,510	59,511
Accumulated realized and unrealized net gains on permanently restricted net assets	3,482,700	978,901
	$ 10,223,997	$ 6,222,766

5. PERMANENTLY RESTRICTED NET ASSETS

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

	2011	2010
Specific activities of the Organization	$ 10,961,934	$ 10,937,274
General activities of the Organization	15,483,293	15,408,755
	$ 26,445,227	$ 26,346,029

6. NET ASSETS RELEASED FROM RESTRICTIONS

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

Purpose restrictions accomplished for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Technology programs	$ 6,716	$ 10,133
Education programs	108,083	57,601
Social worker programs	365,000	210,000
Other specific activities of the Organization	1,365,804	1,099,094
Scholarships	29,250	18,700
Comprehensive Campaign:		
Annual Fund	1,682,760	2,550,000
Roxbury Facility Campaign	10,668	9,892
Blue Hill Facility Campaign	-	5,000
Accumulated realized and unrealized net gains and (losses) on permanently restricted net assets	880,794	228,580
	$ 4,449,075	$ 4,189,000

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

7. INVESTMENTS

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

	2011	2010
Short-term investments:		
Cash and cash equivalents	$ 115,670	$ 114,854
Certificates of deposit	740,000	930,000
Total short-term investments	855,670	1,044,854
Long-term investments:		
Money market fund	370,228	1,435,741
Domestic bonds	4,087,500	4,036,379
International bonds	1,608,609	1,408,230
Domestic equity	10,661,027	7,066,230
International equity	4,445,134	2,946,173
Emerging markets equity	1,725,075	1,137,522
Real assets	1,330,310	1,556,700
Alternative investments	4,968,757	4,247,947
Total long-term investments	29,196,640	23,834,922
Total investments	$ 30,052,310	$ 24,879,776

8. FAIR VALUE MEASUREMENTS

The following table summarizes the valuation of the Organization's investments by fair value hierarchy levels as of June 30, 2011 and 2010:

	2011			
	Quoted Prices	Observable Inputs	Unobservable Inputs	
Investments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 115,670	$ -	$ -	$ 115,670
Money market fund	370,228	-	-	370,228
Certificates of deposit	-	740,000	-	740,000
Domestic bonds	4,087,500	-	-	4,087,500
International bonds	1,607,709	900	-	1,608,609
Domestic equity	8,158,015	2,503,012	-	10,661,027
International equity	3,370,886	1,074,248	-	4,445,134
Emerging markets equity	1,725,075	-	-	1,725,075
Real assets	1,330,310	-	-	1,330,310
Alternative investments	-	-	4,968,757	4,968,757
	$ 20,765,393	$ 4,318,160	$ 4,968,757	$ 30,052,310

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

8. FAIR VALUE MEASUREMENTS…continued

	2010			
	Quoted Prices	Observable Inputs	Unobservable Inputs	
Investments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 114,854	$ -	$ -	$ 114,854
Money market fund	1,435,741	-	-	1,435,741
Certificates of deposit	-	930,000	-	930,000
Domestic bonds	4,036,379	-	-	4,036,379
International bonds	1,407,330	900	-	1,408,230
Domestic equity	4,187,010	2,879,220	-	7,066,230
International equity	2,182,364	763,809	-	2,946,173
Emerging markets equity	1,137,522	-	-	1,137,522
Real assets	1,556,700	-	-	1,556,700
Alternative investments	-	-	4,247,947	4,247,947
	$ 16,057,900	$ 4,573,929	$ 4,247,947	$ 24,879,776

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

	2011	2010
Balance, beginning of year	$ 4,247,947	$ 4,322,574
Investment income:		
Net realized/unrealized losses on investments	442,646	479,895
Interest and dividends	60,610	13,755
Investment fees	(13,468)	-
	489,788	493,650
Purchase of investments	1,170,750	361,787
Sales of investments	(939,728)	(930,064)
Balance, end of year	$ 4,968,757	$ 4,247,947

All net realized losses and net change in unrealized appreciation in the table above are reflected in the accompanying Statement of Activities. Net change in unrealized appreciation of investments included in the Statement of Activities for Level 3 investments still held at June 30, 2011 and 2010 is $368,077 and $278,952 respectively.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

8. FAIR VALUE MEASUREMENTS…continued

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

	Strategy	2011 NAV in Funds	2010 NAV in Funds	2011 Number of Funds	2011 Dollar Amount of Unfunded Commitments	Redemption Frequency	Redemption Restrictions	Redemption Restrictions in Place at Year Ended
Domestic equity	Fund divided into multiple sectors investing in domestic public companies	$ 2,503,012	$ 2,879,220	2	$ -	Monthly	None	None
International equity	Global funds, primarily publically traded common stocks and fixed income	1,074,248	763,809	1	-	Monthly	None	None
Private equity	Venture and buyout, in the U.S. and international	1,525,386	1,047,328	3	1,074,252	N/A*	N/A	N/A
Absolute return	Fund of funds which focuses on partnerships investing in publically traded companies	3,443,371	3,200,619	2	-	Annual	One fund has a lock-up of nine months with 75 days written notice needed	None
		$ 8,546,017	$ 7,890,976	8	$ 1,074,252			

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

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

9. PENSION PLAN

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

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

Obligations and Funded Status	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 5,091,304	$ 3,670,416
Service cost	386,031	322,656
Interest cost	258,039	242,142
Actuarial gain (loss)	(307,082)	958,550
Benefits paid	(30,385)	(102,460)
Benefit obligation at end of year	5,397,907	5,091,304
Change in plan assets:		
Fair value of plan assets at beginning of year	2,460,861	2,053,211
Actual return on plan assets	453,596	249,110
Employer contributions made prior to measurement date	417,869	261,000
Benefits paid	(30,385)	(102,460)
Fair value of plan assets at end of year	3,301,941	2,460,861
Funded status of plan at end of year	$ (2,095,966)	$ (2,630,443)
Amounts recognized on statement of financial position:		
Accrued expenses	$ (2,095,966)	$ (2,630,443)
Amounts recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost consist of:		
Net actuarial loss	$ 1,939,497	$ 2,634,179
For pension plans with accumulated benefit obligations in excess of assets at June 30 of the respective years, aggregate amounts were:		
Projected benefit obligations	$ 5,397,907	$ 5,091,304
Accumulated benefit obligations	4,509,032	3,979,493
Plan assets	3,301,941	2,460,861

Net Periodic Benefit Cost and Other Changes in Unrestricted Net Assets

	2011	2010
Service cost	$ 386,031	$ 322,656
Interest cost	258,039	242,142
Actual return on plan assets	(453,596)	(249,110)
Amortization of unrecognized net loss	136,032	170,248
Deferred asset gain	251,568	85,288
Net periodic benefit cost	578,074	571,224

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

9. PENSION PLAN…continued

	2011	2010
Other changes in net assets not yet included in net periodic benefit cost and reclassifications to net periodic benefit cost, of amounts previously recognized as changes in unrestricted net assets but not included in net periodic benefit cost when they arose:		
Net actuarial (gain) loss	(694,682)	721,076
Total amounts recognized as changes in unrestricted net assets arising from the defined benefit plan	$ (116,608)	$ 1,292,300

Assumptions	2011	2010
Weighted-average assumptions used in computing ending obligations:		
Discount rate	5.50%	5.50%
Rate of compensation increase	2.75	2.75
Weighted-average assumptions used in computing net cost:		
Discount rate	5.50%	6.25%
Rate of compensation increase	2.75	3.00
Expected return on plan assets	7.50	7.50

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

Plan Assets

	Percentage of Plan Assets at June 30,	
Asset Category	2011	2010
Pension plans:		
Equity securities	60%	56%
Debt securities	40	44
	100%	100%

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

9. PENSION PLAN…continued

The following table summarized the valuation of the Organization's defined benefit plan assets at fair value at June 30:

	2011			
Asset Class	Total	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Registered Investment Companies:				
Cash	$ 8,877	$ 8,877	$ -	$ -
Domestic Equity Securities (a)	1,503,761	1,503,761	-	-
International Equity Securities (b)	469,730	469,730	-	-
Domestic Fixed Income (c)	1,319,573	1,319,573	-	-
Total	$ 3,301,941	$ 3,301,941	$ -	$ -

	2010			
Asset Class	Total	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Registered Investment Companies				
Cash	$ 15,842	$ 15,842	$ -	$ -
Domestic Equity Securities (a)	1,036,141	1,036,141	-	-
International Equity Securities (b)	334,392	334,392	-	-
Domestic Fixed Income (c)	1,074,486	1,074,486	-	-
Total	$ 2,460,861	$ 2,460,861	$ -	$ -

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

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

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

The Plan reports the value of its investments in these accounts using quoted market prices. There have been no changes to the valuation methodologies as of June 30, 2011 and 2010.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

9. PENSION PLAN…continued

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

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

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

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

Domestic Equities - 45%
International Equities - 15%
Fixed Income - 40%

Cash Flows

Employer contributions:		
2010	$	261,000
2011		417,869
2012		500,000
Benefit payments:		
2010	$	102,460
2011		30,385

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

2012	$	479,000
2013		139,000
2014		139,000
2015		185,000
2016		123,000
2017 – 2021		2,178,000

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
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10. LINE OF CREDIT

The Organization maintains an operating line of credit, with interest payable based on LIBOR plus two and one half percent. The maximum amount available under the line of credit is $5,000,000 and it expires on May 14, 2012, at which point all borrowings and accrued interest must be repaid or the expiration date extended at the option of the lender. The Organization had no balance outstanding under this line at June 30, 2011 and 2010.

Interest expense was $11,679 and $16,372 for the years ended June 30, 2011 and 2010, respectively.

11. NOTE PAYABLE

On April 10, 2010, the Organization entered into a term loan agreement, associated with prior capital projects for Roxbury and Blue Hill, where interest is payable based on LIBOR plus one percent (1.19% and 1.35% at June 30, 2011 and 2010, respectively). The term loan is payable in monthly installments of $15,750, plus interest and is due April 10, 2015. Cash held at the lending institution secures the loan. The Organization had $724,500 and $913,500 outstanding at June 30, 2011 and 2010, respectively.

The maturities of the note payable are as follows:

2012	$ 724,500

Subsequent to June 30, 2011, the term loan was paid off in full.

12. LAND, BUILDINGS AND EQUIPMENT

	2011	2010
Land	$ 160,275	$ 160,324
Buildings and improvements	44,462,076	44,250,169
Equipment, furniture and fixtures	2,066,549	1,905,448
	46,688,900	46,315,941
Less - accumulated depreciation	19,329,830	17,713,427
	$ 27,359,070	$ 28,602,514

Depreciation expense amounted to $1,616,403 and $1,636,489 for the years ended June 30, 2011 and 2010, respectively.

13. RELATED PARTY TRANSACTIONS

Certain members, or their affiliates, of the Organization's Board of Directors provide various professional services to the Organization. Directors disclose these relationships and abstain from any votes related to services that they may provide. Total payments under these arrangements were $122,588 and $40,140 for the years ended June 30, 2011 and 2010, respectively. Some professional services also were received from related parties on an in-kind basis. Certain members of the Board of Directors are partners or employees of investment companies in which the Organization has direct investments. Members disclose these relationships and abstain from any votes related to these specific investments. These direct investments represent approximately 1.77% and 1.36% of the Organization's total investments as of June 30, 2011 and 2010, respectively.

14. CONTRIBUTED GIFTS-IN-KIND

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

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

15. OPERATING LEASES

The Organization has a variety of operating leases for automobiles, equipment and office space. As of June 30, 2011 and 2010, the Organization paid $348,728 and $353,049, respectively for these leases.

In August 2011, the Organization extended their office lease. Payments related to the new office lease are reflected in the future minimum lease payments schedule below.

The following is a schedule of minimum lease payments as of June 30, 2011 under these lease agreements:

2012	$ 310,804
2013	324,804
2014	307,694
2015	295,360
Thereafter	575,224
	$ 1,813,886

16. ENDOWMENT ASSETS

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

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 3,482,700	$ 26,445,227	$ 29,927,927

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

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

16. ENDOWMENT ASSETS…continued

Changes in endowment net assets for the year ended June 30, 2011 and 2010 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2010	$ -	$ 978,901	$ 26,346,029	$ 27,324,930
Investment return:				
Net investment income	-	293,944	-	293,944
Net realized and unrealized loss	-	3,090,649	-	3,090,649
Total investment return	-	3,384,593		3,384,593
Contributions	-	-	99,198	99,198
Appropriation of endowment income per spending policy	-	(880,794)	-	(880,794)
June 30, 2011	$ -	$ 3,482,700	$ 26,445,227	$ 29,927,927

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

Permanently restricted net assets include net pledges receivable of $5,558,373 and $6,473,220 at June 30, 2011 and 2010, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. The aggregate deficiency between the fair value of the investments of the endowment fund at June 30, 2010 and the level required by donor stipulation is approximately $700,000. There were no deficiencies at June 30, 2011. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. During the year ended June 30, 2011 and 2010, gains of approximately $700,000 and $1,200,000 associated with donor restricted funds were recorded as unrestricted to restore deficiency losses recorded in unrestricted net assets at June 30, 2010 and 2009. No appropriations were made for the year ended June 30, 2010 from individual funds that have a fair value below the amount of the original gift.

The Boys and Girls Clubs of Boston, Inc.

17. SUBSEQUENT EVENTS

The Organization evaluated subsequent events through November 22, 2011, when the financial statements were available to be issued.