The Boys and Girls Clubs of Boston, Inc.

Financial Statements

Years Ended June 30, 2012 and 2011

The Boys and Girls Clubs of Boston, Inc.

FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

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, 2012 and 2011, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey LLP

November 30, 2012
Boston, Massachusetts

The Boys and Girls Clubs of Boston, Inc.

Statements of Financial Position

June 30, 2012 and 2011

		2012		2011
ASSETS				
Cash and cash equivalents (Note 11)	**$**	**2,278,754**	$	2,304,940
Short-term investments (Notes 7 and 8)		**1,294,730**		827,327
Reimbursable program grant expenditures		**291,668**		282,594
Prepaid expenses and other assets		**513,291**		1,142,319
Pledges receivable (Notes 3, 4, 5 and 16)		**8,711,724**		10,737,287
Long-term investments (Notes 7 and 8)		**33,379,655**		29,196,640
Land, buildings and equipment, net (Note 12)		**26,228,163**		27,359,070
Total assets	**$**	**72,697,985**	$	71,850,177
LIABILITIES AND NET ASSETS				
Note payable (Note 11)	**$**	**-**	$	724,500
Accounts payable - trade		**251,232**		268,073
Accrued expenses (Note 9)		**2,895,503**		2,303,515
Deferred revenue		**390,514**		752,542
Total liabilities		**3,537,249**		4,048,630
Net assets:				
Unrestricted		**29,262,866**		31,132,523
Temporarily restricted (Notes 4 and16)		**10,675,952**		10,223,797
Permanently restricted (Notes 5 and 16)		**29,221,918**		26,445,227
Total net assets		**69,160,736**		67,801,547
Total liabilities and net assets	**$**	**72,697,985**	$	71,850,177

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Activities
Years Ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
United Way contributions	**$ 746,109**	**$ -**	**$ -**	**$ 746,109**	$ 791,013	$ -	$ -	$ 791,013
Contributions and benefits	**9,025,016**	**3,891,310**	**2,776,691**	**15,693,017**	7,368,803	4,378,323	99,198	11,846,324
Grants from governmental agencies	**1,055,955**	**-**	**-**	**1,055,955**	806,950	-	-	806,950
Parent fees, vouchers, member dues, and club camp fees	**969,685**	**-**	**-**	**969,685**	794,599	-	-	794,599
Gifts-in-kind (Note 14)	**592,860**	**-**	**-**	**592,860**	204,154	-	-	204,154
Service and other income	**2,121,691**	**-**	**-**	**2,121,691**	2,046,449	-	-	2,046,449
Appropriation of investment income on long-term investments (Note 6)	**178,506**	**1,007,210**	**-**	**1,185,716**	166,426	880,794	-	1,047,220
Recovery of doubtful pledges	**-**	**500,000**	**-**	**500,000**	-	687,390	-	687,390
Net assets released from restrictions (Note 6)	**3,614,871**	**(3,614,871)**	**-**	**-**	4,438,407	(4,438,407)	-	-
Total revenues, gains and other support	**18,304,693**	**1,783,649**	**2,776,691**	**22,865,033**	16,616,801	1,508,100	99,198	18,224,099
Operating expenses (Notes 9, 10, 13,14 and 15):								
Program services	**13,145,958**	**-**	**-**	**13,145,958**	12,009,557	-	-	12,009,557
Management and general	**1,515,912**	**-**	**-**	**1,515,912**	1,381,069	-	-	1,381,069
Fundraising	**2,789,913**	**-**	**-**	**2,789,913**	2,699,046	-	-	2,699,046
Total operating expenses before depreciation	**17,451,783**	**-**	**-**	**17,451,783**	16,089,672	-	-	16,089,672
Income from operations before depreciation	**852,910**	**1,783,649**	**2,776,691**	**5,413,250**	527,129	1,508,100	99,198	2,134,427
Depreciation expense (Note 12)	**1,602,370**	**-**	**-**	**1,602,370**	1,616,403	-	-	1,616,403
Income (loss) from operations	**(749,460)**	**1,783,649**	**2,776,691**	**3,810,880**	(1,089,274)	1,508,100	99,198	518,024
Non-operating activities:								
Net assets released from restriction (capital expenditures) (Note 6)	**767**	**(767)**	**-**	**-**	10,668	(10,668)	-	-
Appropriation of investment income on long-term investments (Note 16)	**(178,506)**	**(1,007,210)**	**-**	**(1,185,716)**	(166,426)	(880,794)	-	(1,047,220)
Interest and dividend income (Note 16)	**87,768**	**641,635**	**-**	**729,403**	89,875	293,944	-	383,819
Investment expense	**(4,258)**	**(31,202)**	**-**	**(35,460)**	(34,335)	-	-	(34,335)
Net realized losses on investments (Note 16)	**(27,722)**	**(205,665)**	**-**	**(233,387)**	(19,808)	(43,219)	-	(63,027)
Net unrealized (losses) gains on investments (Note 16)	**(118,176)**	**(728,285)**	**-**	**(846,461)**	1,436,577	3,133,668	-	4,570,245
Comprehensive Campaign expenses	**(78,000)**	**-**	**-**	**(78,000)**	-	-	-	-
Pension liability adjustment (Note 9)	**(802,070)**	**-**	**-**	**(802,070)**	694,682	-	-	694,682
Non-operating gains (losses)	**(1,120,197)**	**(1,331,494)**	**-**	**(2,451,691)**	2,011,233	2,492,931	-	4,504,164
Change in net assets	**(1,869,657)**	**452,155**	**2,776,691**	**1,359,189**	921,959	4,001,031	99,198	5,022,188
Net assets, beginning 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
Net assets, end of year	**$ 29,262,866**	**$ 10,675,952**	**$ 29,221,918**	**$ 69,160,736**	$ 31,132,523	$ 10,223,797	$ 26,445,227	$ 67,801,547

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Functional Expenses
Years Ended June 30, 2012 and 2011

	2012				2011			
	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	$ 362,781	$ 96,393	$ 48,754	$ 507,928	$ 362,245	$ 91,769	$ 19,525	$ 473,539
Education	457,031	115,932	139,829	712,792	442,209	113,006	146,055	701,270
Leadership and character development	179,717	53,090	121,266	354,073	146,492	37,548	104,038	288,078
Life skills	828,245	219,325	123,070	1,170,640	753,735	194,690	93,848	1,042,273
Sports, fitness, recreation	751,181	194,459	142,686	1,088,326	715,166	182,930	129,177	1,027,273
Technology	262,799	68,537	231,797	563,133	283,432	71,897	112,693	468,022
Summer programs	123,209	34,316	118,009	275,534	130,979	32,606	105,581	269,166
School age child care	267,486	71,393	61,094	399,973	249,936	64,190	48,440	362,566
Member services	351,713	98,850	143,362	593,925	295,798	73,909	152,044	521,751
YouthConnect	503,351	130,217	66,868	700,436	503,842	129,160	62,569	695,571
Shared space sites	635,049	128,812	254,692	1,018,553	520,507	126,455	123,638	770,600
Camp Harbor View	966,608	140,683	332,257	1,439,548	926,275	140,903	297,965	1,365,143
Programs (support expenses):								
Facility maintenance, insurance and utilities	258,838	67,286	1,235,772	1,561,896	250,156	64,015	1,307,006	1,621,177
Program management and administration	1,103,074	290,424	419,291	1,812,789	1,047,397	265,561	334,729	1,647,687
Program development and staff support	436,283	116,486	393,643	946,412	399,157	100,257	256,027	755,441
Depreciation	-	-	1,572,235	1,572,235	-	-	1,590,373	1,590,373
Total program expenses, including depreciation expense	7,487,365	1,826,203	5,404,625	14,718,193	7,027,326	1,688,896	4,883,708	13,599,930
Management and general	671,088	184,759	660,065	1,515,912	633,759	161,456	585,854	1,381,069
Depreciation, management and general	-	-	30,135	30,135	-	-	26,030	26,030
Fundraising	1,364,857	331,014	1,094,042	2,789,913	1,216,894	302,897	1,179,255	2,699,046
Total operating expenses and depreciation expenses	$ 9,523,310	$ 2,341,976	$ 7,188,867	$ 19,054,153	$ 8,877,979	$ 2,153,249	$ 6,674,847	$ 17,706,075

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 1,359,189	$ 5,022,188
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	1,602,370	1,616,403
Net realized and unrealized (gains) losses on investments	1,079,848	(4,507,218)
Contributions received for long-term use	(4,584,415)	(1,446,547)
Recovery of doubtful pledges	(500,000)	(687,390)
Changes in operating assets and liabilities:		
Pledges receivable	2,525,563	504,394
Reimbursable program grant expenditures	(9,074)	(151,144)
Prepaid expenses and other assets	629,028	(605,877)
Accounts payable - trade	(16,841)	825
Accrued expenses	591,988	(543,629)
Deferred revenue	(362,028)	448,277
Total adjustments	956,439	(5,371,906)
Net cash provided by (used in) operating activities	2,315,628	(349,718)
Cash flows from investing activities:		
Purchase of building improvements and equipment	(471,463)	(372,959)
Proceeds from sale of investments	3,712,378	3,574,479
Purchase of investments	(9,442,644)	(4,239,585)
Net cash used in investing activities	(6,201,729)	(1,038,065)
Cash flows from financing activities:		
Payments on note payable	(724,500)	(189,000)
Contributions received for long-term use	4,584,415	1,446,547
Net cash provided by financing activities	3,859,915	1,257,547
Net decrease in cash and cash equivalents	(26,186)	(130,236)
Cash and cash equivalents:		
Beginning of year	2,304,940	2,435,176
End of year	$ 2,278,754	$ 2,304,940
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 767	$ 11,679

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Basis of Presentation

The financial statements of the 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 activities 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 statement of activities.

The Organization follows the *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* guidance of the Codification. This pronouncement 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”).

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

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. This guidance also requires disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets 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 using a rate commensurate with the risk involved, and net of an allowance for uncollectible amounts. Conditional promises are recorded when donor stipulations are substantially met.

The Organization follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification ("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, 2012 and 2011

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 in nonmarketable investments (alternative investments) are stated at estimated fair value determined by management, relying upon the information provided by external investment managers. The estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The amount of realized and unrealized gain or loss associated with these investments is reflected in the accompanying financial statements along with such amounts relating to marketable investments. The Organization believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2012 and 2011.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Investments…continued

The Board of Directors of the Organization has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the funds, the purposes of the Organization and the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, and the investment policies of the Organization.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets provide a real total return 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, 2012 and 2011

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 4.5% spending of approximately $1,276,000 for the fiscal year ending June 30, 2013.

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, 2012 and 2011, the Board approved the transfer of $1,185,716 and $1,047,220, respectively.

Fair Value Measurements

The Organization follows the *Fair Value Measurements* guidance of the Codification. The guidance defines fair value, establishes a framework for measuring fair value within GAAP, and expands disclosures about fair value measurements. Under this guidance, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. 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 the net asset value ("NAV") per share to represent fair value for reporting purposes when the criteria for using this method are met. In support of this principle, the guidance establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under this guidance, fair value measurements are separately disclosed by level within the fair value hierarchy. 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 investments carried at the per share NAV 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 by 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 investments carried at the per share NAV with redemption periods of greater than 90 days.

The Boys and Girls Clubs of Boston, Inc.
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements…continued

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

The 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.

There have been no changes to the valuation methodologies as of June 30, 2012 and 2011.

During the year ended June 30, 2012 and 2011, 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.

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), investment expenses, funds released from temporarily restricted net assets to support capital spending, comprehensive campaign expenses and changes in additional minimum pension liabilities recorded. All other activities that are deemed by management to be ongoing, major and central to operations are reported as operating revenues and expenses.

Cash and Cash Equivalents

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

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Accounts Receivable

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

There was no allowance for doubtful accounts at June 30, 2012 and 2011. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received.

Land, Buildings and Equipment

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

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

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

The Organization has adopted FASB ASC 410, *Asset Retirement and Environmental Obligations*. This standard requires that a liability be recorded for the fair value of a conditional asset retirement obligation. The recording of a liability is required if the fair value of the obligation can be reasonably estimated. As of June 30, 2012 and 2011, 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.

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

The Boys and Girls Clubs of Boston, Inc.
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

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.

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 has implemented the guidance for income taxes in accordance with ASC Topic 740, as it relates to Accounting for Uncertainty in Income Taxes, which clarifies the treatment of the Organization's position of accounting for income taxes recognized in the financial statements. The guidance also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in the tax return. In addition, it provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Organization has no uncertain tax positions at June 30, 2012 or 2011.

With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2009. Interest and penalties, if any, are included in income tax expense.

3. PLEDGES RECEIVABLE

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

	2012	2011
In one year or less	$ 4,710,844	$ 7,105,168
Between one and five years	8,088,071	3,098,000
Greater than five years	-	5,181,007
	12,798,915	15,384,175
Less:		
Allowance for pledges	3,126,007	3,646,007
Discount to present value (ranging from 1.79%-4.92%)	961,184	1,000,881
	$ 8,711,724	$ 10,737,287

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
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3. PLEDGES RECEIVABLE…continued

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, 2012 and 2011, $3,055,007 and $3,555,007 of the allowance for pledges is associated with one pledge. The reduction in the allowance is the result of the Organization receiving a payment on the pledge subsequent to June 30, 2012 and 2011 and recording a recovery in the allowance of the amount received.

4. TEMPORARILY RESTRICTED NET ASSETS

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

	2012	2011
Teen programs	$ 6,769	$ 6,757
Technology programs	7,703	7,688
Education programs	7,468	15,117
Social worker programs	4,000	54,544
Other specific activities of the Organization	1,969,604	1,655,128
Scholarships	139,948	142,381
Comprehensive Campaign:		
Annual Fund	4,112,062	4,586,495
Roxbury Facility Fund	133,766	133,533
Chelsea Facility Fund	80,144	80,144
Green Street Facility Fund	59,510	59,510
MHK Giving Back Assistance Fund	2,003,005	-
Accumulated realized and unrealized net gains on permanently restricted net assets	2,151,973	3,482,700
	$ 10,675,952	$ 10,223,997

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:

	2012	2011
Endowment:		
Specific activities of the Organization	$ 13,570,715	$ 10,961,934
General activities of the Organization	15,651,203	15,483,293
	$ 29,221,918	$ 26,445,227

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
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6. NET ASSETS RELEASED FROM RESTRICTIONS

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

Purpose restrictions accomplished for the years ended June 30 are as follows:

	2012	2011
Technology programs	$ 5,000	$ 6,716
Education programs	13,036	108,083
Social worker programs	72,549	365,000
Other specific activities of the Organization	1,096,849	1,365,804
Scholarships	38,819	29,250
MHK Giving Back Assistance Fund	17,995	-
Comprehensive Campaign:		
Annual Fund	1,363,413	1,682,760
Roxbury Facility Fund	767	10,668
Appropriation of temporarily restricted investment income on long-term investments	1,007,210	880,794
	$ 3,615,638	$ 4,449,075

7. INVESTMENTS

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

	2012	2011
Short-term investments:		
Cash and cash equivalents	$ 1,294,730	$ 87,327
Certificates of deposit	-	740,000
Total short-term investments	1,294,730	827,327
Long-term investments:		
Money market fund	1,757,308	370,228
Domestic bonds	5,770,747	4,087,500
International bonds	1,738,060	1,608,609
Domestic equity	10,835,980	10,661,027
International equity	3,910,917	4,445,134
Emerging markets equity	1,624,078	1,725,075
Real assets	2,148,956	1,330,310
Alternative investments	5,593,609	4,968,757
Total long-term investments	33,379,655	29,196,640
Total investments	$ 34,674,385	$ 30,023,967

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
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8. FAIR VALUE MEASUREMENTS

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

	2012			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 1,294,730	$ -	$ -	$ 1,294,730
Money market fund	1,757,308	-	-	1,757,308
Domestic bonds	5,770,747	-	-	5,770,747
International bonds	1,737,160	900	-	1,738,060
Domestic equity	8,202,133	2,633,847	-	10,835,980
International equity	2,798,538	1,112,379	-	3,910,917
Emerging markets equity	1,624,078	-	-	1,624,078
Real assets	2,148,956	-	-	2,148,956
Alternative investments	-	-	5,593,609	5,593,609
	$ 25,333,650	$ 3,747,126	$ 5,593,609	$ 34,674,385

	2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 87,327	$ -	$ -	$ 87,327
Money market fund	370,228	-	-	370,228
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
	$ 20,737,050	$ 3,578,160	$ 4,968,757	$ 29,283,967

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

8. FAIR VALUE MEASUREMENTS…continued

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

	2012	2011
Balance, beginning of year	$ 4,968,757	$ 4,247,947
Investment income:		
Net realized/unrealized gains (losses) on investments	(53,848)	442,646
Interest and dividends	4,532	60,610
Investment fees	-	(13,468)
	(49,316)	489,788
Purchase of investments	707,148	1,170,750
Sales of investments	(32,980)	(939,728)
Balance, end of year	$ 5,593,609	$ 4,968,757

All net realized (losses) gains and net change in unrealized appreciation in the table above are reflected in the accompanying Statement of Activities. Net change in unrealized (losses) gains of investments included in the Statement of Activities for Level 3 investments still held at June 30, 2012 and 2011 is ($78,424) and $368,077 respectively.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
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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	2012 NAV in Funds	2012 Number of Funds	2012 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	$ 2,633,847	2	$ -	Monthly	None	None
International equity	Global funds, primarily publically traded common stocks and fixed income	1,112,379	1	-	Monthly	None	None
Private equity	Venture and buyout, in the U.S. and international	2,263,902	4	1,339,663	N/A*	N/A	N/A
Absolute return	Fund of funds which focuses on partnerships investing in publically traded companies	3,329,707	2	-	Annual	None	None
		$ 9,339,835	9	$ 1,339,663			

* 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
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8. FAIR VALUE MEASUREMENTS…continued

	Strategy	2011 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	$ -	Monthly	None	None
International equity	Global funds, primarily publically traded common stocks and fixed income	1,074,248	1	-	Monthly	None	None
Private equity	Venture and buyout, in the U.S. and international	1,525,386	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	2	-	Annual	None	None
		$ 8,546,017	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, 2012 and 2011

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

	2012	2011
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 5,397,907	$ 5,091,304
Service cost	451,823	386,031
Interest cost	286,564	258,039
Actuarial gain (loss)	714,383	(307,082)
Benefits paid	(214,981)	(30,385)
Benefit obligation at end of year	6,635,696	5,397,907
Change in plan assets:		
Fair value of plan assets at beginning of year	3,301,941	2,460,861
Actual return on plan assets	45,002	453,596
Employer contributions made prior to measurement date	853,258	417,869
Benefits paid	(214,981)	(30,385)
Fair value of plan assets at end of year	3,985,220	3,301,941
Funded status of plan at end of year	$ (2,650,476)	$ (2,095,966)
Amounts recognized on statement of financial position:		
Accrued expenses	$ (2,650,476)	$ (2,095,966)
Amounts recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost consist of:		
Net actuarial loss	$ 2,741,567	$ 1,939,497
For pension plans with accumulated benefit obligations in excess of assets at June 30 of the respective years, aggregate amounts were:		
Projected benefit obligations	$ 6,635,696	$ 5,397,907
Accumulated benefit obligations	5,514,817	4,509,032
Plan assets	3,985,220	3,301,941

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
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9. PENSION PLAN…continued

Net Periodic Benefit Cost and Other Changes in Unrestricted Net Assets

	2012	2011
Service cost	$ 451,823	$ 386,031
Interest cost	286,564	258,039
Actual return on plan assets	(45,002)	(453,596)
Amortization of unrecognized net gains	106,845	136,032
Deferred asset gain (loss)	(194,532)	251,568
Net periodic benefit cost	605,698	578,074
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	802,070	(694,682)
Total amounts recognized as changes in unrestricted net assets arising from the defined benefit plan	$ 1,407,768	$ (116,608)

Assumptions

	2012	2011
Weighted-average assumptions used in computing ending obligations:		
Discount rate	4.25%	5.50%
Rate of compensation increase	2.75	2.75
Weighted-average assumptions used in computing net cost:		
Discount rate	5.50%	5.50%
Rate of compensation increase	2.75	2.75
Expected return on plan assets	7.50	7.50

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

Plan Assets

	Percentage of Plan Assets at June 30,	
Asset Category	2012	2011
Pension plans:		
Equity securities	60%	60%
Debt securities	40	40
	100%	100%

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
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9. PENSION PLAN…continued

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

	2012			
Asset Class	Total	Quoted Prices Level 1	Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Registered Investment Companies:				
Cash	$ 713	$ 713	$ -	$ -
Domestic Equity Securities (a)	1,805,101	1,805,101	-	-
International Equity Securities (b)	609,536	609,536	-	-
Domestic Fixed Income (c)	1,569,870	1,569,870	-	-
	$ 3,985,220	$ 3,985,220	$ -	$ -

	2011			
Asset Class	Total	Quoted Prices Level 1	Observable Inputs Level 2	Significant 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	-	-
	$ 3,301,941	$ 3,301,941	$ -	$ -

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

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

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

The Plan reports the value of its investments in these accounts using quoted market prices. There have been no changes to the valuation methodologies as of June 30, 2012 and 2011.

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:		
2011	$	417,869
2012		853,258
2013		400,000
Benefit payments:		
2011	$	30,385
2012		214,981

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

2013	$	139,000
2014		138,000
2015		189,000
2016		119,000
2017		854,000
2018 - 2022		1,648,000

The Boys and Girls Clubs of Boston, Inc.

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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 13, 2014, 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, 2012 and 2011.

Interest expense was $767 and $11,679 for the years ended June 30, 2012 and 2011, 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 was payable based on LIBOR plus one percent (1.185% and 1.19% at June 30, 2012 and 2011, respectively). The term loan was payable in monthly installments of $15,750, plus interest and was due April 10, 2015. Cash held at the lending institution secured the loan. The amount outstanding at June 30, 2011 of $724,500 was paid off in full in July 2011.

12. LAND, BUILDINGS AND EQUIPMENT

	2012	2011
Land	$ 160,275	$ 160,275
Buildings and improvements	44,647,702	44,462,076
Equipment, furniture and fixtures	2,352,386	2,066,549
	47,160,363	46,688,900
Less - accumulated depreciation	(20,932,200)	(19,329,830)
	$ 26,228,163	$ 27,359,070

Depreciation expense amounted to $1,602,370 and $1,616,403 for the years ended June 30, 2012 and 2011, 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 $102,557 and $122,588 for the years ended June 30, 2012 and 2011, 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 2.16% and 1.77% of the Organization's total investments as of June 30, 2012 and 2011, respectively.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
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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, expiring May 31, 2017. As of June 30, 2012 and 2011, the Organization paid $317,306 and $348,728, respectively for these leases.

The following is a schedule of minimum lease payments as of June 30, 2012 under these lease agreements as of June 30:

2013	$ 350,811
2014	333,701
2015	321,368
2016	319,623
2017	275,107
	$ 1,600,610

16. ENDOWMENT ASSETS

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

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 2,151,973	$ 29,221,918	$ 31,373,891

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

The Boys and Girls Clubs of Boston, Inc.
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16. ENDOWMENT ASSETS…continued

Changes in endowment net assets for the year ended June 30, 2012 and 2011 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2011	$ -	$ 3,482,700	$ 26,445,227	$ 29,927,927
Investment return:				
Net investment income	-	610,433	-	610,433
Net realized and unrealized loss	-	(933,950)	-	(933,950)
Total investment return	-	(323,517)	-	(323,517)
Contributions	-	-	2,776,691	2,776,691
Appropriation of endowment income per spending policy	-	(1,007,210)	-	(1,007,210)
June 30, 2012	$ -	$ 2,151,973	$ 29,221,918	$ 31,373,891

	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 gain	-	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

Permanently restricted net assets include net pledges receivable of $1,867,839 and $5,558,373 at June 30, 2012 and 2011, 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. There were no deficiencies at June 30, 2012 and 2011.

17. SUBSEQUENT EVENTS

The Organization evaluated subsequent events through November 30, 2012, the date when the financial statements were available to be issued.