The Boys and Girls Clubs of Boston, Inc.

Financial Statements

Years Ended June 30, 2013 and 2012

The Boys and Girls Clubs of Boston, Inc.

FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

CONTENTS

McGladrey

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Boys and Girls Clubs of Boston, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, statements of functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Boys and Girls Clubs of Boston, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Boston, Massachusetts
November 14, 2013

The Boys and Girls Clubs of Boston, Inc.

Statements of Financial Position

June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	**$ 5,548,186**	$ 2,278,754
Short-term investments	**799,767**	1,294,730
Reimbursable program grant expenditures	**374,961**	291,668
Prepaid expenses and other assets	**825,468**	513,291
Pledges receivable	**21,040,725**	8,350,707
Beneficial interest in charitable trusts	**1,084,435**	361,017
Long-term investments	**37,250,078**	33,379,655
Land, buildings and equipment, net	**25,114,997**	26,228,163
Total assets	**$ 92,038,617**	$ 72,697,985
LIABILITIES AND NET ASSETS		
Accounts payable - trade	**$ 362,057**	$ 251,232
Accrued expenses	**1,970,553**	2,895,503
Deferred revenue	**244,534**	390,514
Total liabilities	**2,577,144**	3,537,249
Net assets:		
Unrestricted	**29,523,270**	29,262,866
Temporarily restricted	**26,188,397**	10,675,952
Permanently restricted	**33,749,806**	29,221,918
Total net assets	**89,461,473**	69,160,736
Total liabilities and net assets	**$ 92,038,617**	$ 72,697,985

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Activities

Years Ended June 30, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
United Way contributions	$ 612,686	$ -	$ -	$ 612,686	$ 746,109	$ -	$ -	$ 746,109
Contributions and benefits	9,763,362	15,744,784	4,888,905	30,397,051	9,025,016	3,891,310	2,760,345	15,676,671
Grants and contracts from governmental agencies	1,259,982	-	-	1,259,982	1,055,955	-	-	1,055,955
Parent fees, vouchers, member dues, and club camp fees	1,038,666	-	-	1,038,666	969,685	-	-	969,685
Gifts-in-kind	425,186	-	-	425,186	592,860	-	-	592,860
Service and other income	2,042,657	-	-	2,042,657	2,121,691	-	-	2,121,691
Appropriation of investment income on long-term investments	143,311	1,128,341	-	1,271,652	178,506	1,007,210	-	1,185,716
Recovery of doubtful pledges	-	-	-	-	-	500,000	-	500,000
Net assets released from restrictions	4,044,707	(4,044,707)	-	-	3,614,871	(3,614,871)	-	-
Reclassifications of net assets to conform with donor intent	-	378,129	(378,129)	-	-	-	-	-
Total revenues, gains and other support	19,330,557	13,206,547	4,510,776	37,047,880	18,304,693	1,783,649	2,760,345	22,848,687
Operating expenses:								
Program services	14,063,040	-	-	14,063,040	13,117,820	-	-	13,117,820
Management and general	1,584,707	-	-	1,584,707	1,562,848	-	-	1,562,848
Fundraising	3,086,079	-	-	3,086,079	2,771,115	-	-	2,771,115
Total operating expenses before depreciation	18,733,826	-	-	18,733,826	17,451,783	-	-	17,451,783
Income from operations before depreciation	596,731	13,206,547	4,510,776	18,314,054	852,910	1,783,649	2,760,345	5,396,904
Depreciation expense	1,671,718	-	-	1,671,718	1,602,370	-	-	1,602,370
Income (loss) from operations	(1,074,987)	13,206,547	4,510,776	16,642,336	(749,460)	1,783,649	2,760,345	3,794,534
Non-operating activities:								
Net assets released from restriction (capital expenditures)	-	-	-	-	767	(767)	-	-
Appropriation of investment income on long-term investments	(143,311)	(1,128,341)	-	(1,271,652)	(178,506)	(1,007,210)	-	(1,185,716)
Interest and dividend income	42,013	330,787	-	372,800	87,768	641,635	-	729,403
Investment expense	(3,391)	(26,697)	-	(30,088)	(4,258)	(31,202)	-	(35,460)
Net realized gains (losses) on investments	17,511	137,871	-	155,382	(27,722)	(205,665)	-	(233,387)
Net unrealized gains (losses) on investments	380,051	2,992,278	-	3,372,329	(118,176)	(728,285)	-	(846,461)
Change in split interest agreements	-	-	17,112	17,112			16,346	16,346
Comprehensive Campaign expenses	(78,180)	-	-	(78,180)	(78,000)	-	-	(78,000)
Pension liability adjustment	1,120,698	-	-	1,120,698	(802,070)	-	-	(802,070)
Non-operating gains (losses)	1,335,391	2,305,898	17,112	3,658,401	(1,120,197)	(1,331,494)	16,346	(2,435,345)
Change in net assets	260,404	15,512,445	4,527,888	20,300,737	(1,869,657)	452,155	2,776,691	1,359,189
Net assets, beginning 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
Net assets, end of year	$ 29,523,270	$ 26,188,397	$ 33,749,806	$ 89,461,473	$ 29,262,866	$ 10,675,952	$ 29,221,918	$ 69,160,736

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Functional Expenses

Years Ended June 30, 2013 and 2012

	2013				2012			
	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	**$ 417,547**	**$ 110,095**	**$ 90,777**	**$ 618,419**	$ 362,781	$ 96,393	$ 47,598	$ 506,772
Education	**383,433**	**101,077**	**190,901**	**675,411**	457,031	115,932	122,872	695,835
Leadership and character development	**248,502**	**68,370**	**194,942**	**511,814**	179,717	53,090	121,146	353,953
Life skills	**892,245**	**230,794**	**291,611**	**1,414,650**	828,245	219,325	126,559	1,174,129
Sports, fitness, recreation	**703,652**	**185,163**	**160,027**	**1,048,842**	751,181	194,459	141,839	1,087,479
Technology	**220,712**	**56,594**	**230,717**	**508,023**	262,799	68,537	230,697	562,033
Summer programs	**115,502**	**31,381**	**125,968**	**272,851**	123,209	34,316	115,837	273,362
School age child care	**266,156**	**69,776**	**25,952**	**361,884**	267,486	71,393	60,632	399,511
Member services	**375,900**	**99,201**	**113,787**	**588,888**	351,713	98,850	143,362	593,925
YouthConnect	**502,425**	**130,090**	**76,139**	**708,654**	503,351	130,217	68,233	701,801
Shared space sites	**690,098**	**173,647**	**446,322**	**1,310,067**	635,049	128,812	273,339	1,037,200
Camp Harbor View	**926,638**	**138,779**	**323,230**	**1,388,647**	966,608	140,683	325,612	1,432,903
Programs (support expenses):								
Facility maintenance, insurance and utilities	**287,280**	**74,955**	**1,302,342**	**1,664,577**	258,838	67,286	1,236,004	1,562,128
Program management and administration	**1,127,422**	**291,157**	**440,561**	**1,859,140**	1,103,074	256,255	313,051	1,672,380
Program development and staff support	**518,921**	**129,196**	**483,056**	**1,131,173**	449,637	150,655	464,117	1,064,409
Depreciation	**-**	**-**	**1,586,927**	**1,586,927**	-	-	1,572,235	1,572,235
Total program expenses, including depreciation expense	**7,676,433**	**1,890,275**	**6,083,259**	**15,649,967**	7,500,719	1,826,203	5,363,133	14,690,055
Management and general	**703,800**	**173,015**	**707,892**	**1,584,707**	657,734	184,759	720,355	1,562,848
Depreciation, management and general	**-**	**-**	**84,791**	**84,791**	-	-	30,135	30,135
Fundraising	**1,577,045**	**400,076**	**1,108,958**	**3,086,079**	1,364,857	331,014	1,075,244	2,771,115
Total operating expenses and depreciation expenses	**$ 9,957,278**	**$ 2,463,366**	**$ 7,984,900**	**$ 20,405,544**	$ 9,523,310	$ 2,341,976	$ 7,188,867	$ 19,054,153

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 20,300,737	$ 1,359,189
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,671,718	1,602,370
Net realized and unrealized (gains) losses on investments	(3,527,711)	1,079,848
Beneficial interest in charitable trusts	(706,306)	-
Contributions received for long-term use	(3,340,000)	(4,584,415)
Recovery of doubtful pledges	-	(500,000)
Change in split interest agreements	(17,112)	(16,346)
Changes in operating assets and liabilities:		
Pledges receivable	(12,690,018)	2,541,909
Reimbursable program grant expenditures	(83,293)	(9,074)
Prepaid expenses and other assets	(312,177)	629,028
Accounts payable - trade	110,825	(16,841)
Accrued expenses	(924,950)	591,988
Deferred revenue	(145,980)	(362,028)
Total adjustments	(19,965,004)	956,439
Net cash provided by operating activities	335,733	2,315,628
Cash flows from investing activities:		
Purchase of building improvements and equipment	(558,552)	(471,463)
Proceeds from sale of investments	645,028	3,712,378
Purchase of investments	(492,777)	(9,442,644)
Net cash used in investing activities	(406,301)	(6,201,729)
Cash flows from financing activities:		
Payments on note payable	-	(724,500)
Contributions received for long-term use	3,340,000	4,584,415
Net cash provided by financing activities	3,340,000	3,859,915
Net change in cash and cash equivalents	3,269,432	(26,186)
Cash and cash equivalents:		
Beginning of year	2,278,754	2,304,940
End of year	$ 5,548,186	$ 2,278,754
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 75	$ 767

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

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 Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Classification and Reporting of Net Assets

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 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 Institutional Funds Act ("UPMIFA").

UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. This standard 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. A description of the three net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of the Organization as well as funds invested in plant, including campus buildings. In addition, unrestricted net assets of the Organization include funds which represent unrestricted resources designated by the Board of Directors ("the Board") for specific purposes.

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets also include, under Massachusetts law, amounts, representing cumulative interest, dividends, appreciation and reinvested gains on permanently restricted endowment funds, which are subject to prudent appropriation by the Board in accordance with donor use restrictions and provisions of Massachusetts law but which have not yet been appropriated by the Board. 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.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Classification and Reporting of Net Assets...continued

- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Permanently restricted net assets may also include realized and unrealized gains and interest and investment income on certain contributions, as stipulated by the donor.

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.

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 at fair value as revenues 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 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.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Contributions…continued

The Organization follows the guidance of the 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 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, 2013 and 2012.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Investments…continued

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.

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 over the long term in excess of the spend policy to support operations. Real total return is the sum of capital appreciation (or loss) and current income (dividends and interest) adjusted for inflation. Actual returns in any given year may vary.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Investments…continued

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.

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.

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, 2013 and 2012, the Board approved the appropriation of $1,271,652 and $1,185,716, respectively.

Beneficial Interest in Charitable Trusts

The Organization is the beneficiary of a number of charitable trusts (split interest agreements), which are included in beneficial interest in charitable trusts on the statement of financial position. The Organization initially recognizes a contribution as well as an interest in the underlying investment from which a specified amount or percentage of the fair value of the trusts' assets or income each year is currently being paid to the Organization (perpetual trust) or to the donor or named beneficiary (remainder trust).

Actuarial methods are used to calculate that portion of the investment representing the present value of the liability to the donor and that portion representing the contribution.

For agreements and trust assets maintained by an outside trustee, the Organization includes in the beneficial interest in charitable trusts the value of the estimated future benefits to be received when the assets are distributed. Adjustments to reflect the changes in the fair value of the investments, revaluation of the present value of the estimated future payments to the donors and or donors' stated beneficiaries, and changes in actuarial assumptions during the term of the trust are made to the beneficial interest in charitable trusts account and are recognized as changes in the value of split interest agreements in their respective net asset classes.

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), change in split interest agreements, 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.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

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 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, 2013 and 2012. 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, 2013 and 2012, 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.

Impairment of Long-Lived Assets

The Organization has given consideration to FASB ASC 360-10-15, as it related to accounting for impairment or disposal of long-lived assets in its presentation of these financial statements. As of June 30, 2013 and 2012, the Organization has not recognized any reduction in the carrying value of its property when considering this standard.

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.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

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.

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.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements in order to conform to the 2013 presentation.

Recently Issued Accounting Pronouncements

In October 2012, the FASB issued guidance which requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit entity-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. This guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. The adoption of this guidance will have no impact on how the Organization currently classifies cash receipts from the sale of certain donated financial assets.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

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. Management believes the Organization has no uncertain tax positions at June 30, 2013 or 2012.

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 2010. 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:

	2013	2012
In one year or less	$ 11,228,000	$ 4,710,844
Between one and five years	11,827,056	7,088,071
Greater than five years	1,220,000	-
	24,275,056	11,798,915
Less:		
Allowance for pledges	2,546,311	3,126,007
Discount to present value (ranging from 0.7% - 5%)	688,020	322,201
	$ 21,040,725	$ 8,350,707

4. TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Other specific activities of the Organization	$ 3,315,702	$ 2,135,198
Scholarships	124,055	139,948
Comprehensive Campaign	2,189,240	4,245,828
Campaign 125	13,771,000	-
MHK Giving Back Assistance Fund	1,793,105	2,003,005
Beneficial interests in charitable trusts	537,424	-
Accumulated realized and unrealized net gains on permanently restricted net assets	4,457,871	2,151,973
	$ 26,188,397	$ 10,675,952

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

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:

	2013	2012
Endowment:		
Specific activities of the Organization	$ 17,423,079	$ 13,570,715
General activities of the Organization	16,326,727	15,651,203
	$ 33,749,806	$ 29,221,918

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:

	2013	2012
Other specific activities of the Organization	$ 1,736,982	$ 1,187,434
Scholarships	21,861	38,819
MHK Giving Back Assistance Fund	210,000	17,995
Comprehensive Campaign	947,523	1,364,180
Appropriation of temporarily restricted investment income on long-term investments	1,128,341	1,007,210
	$ 4,044,707	$ 3,615,638

7. INVESTMENTS

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

	2013	2012
Short-term investments:		
Cash and cash equivalents	$ 799,767	$ 1,294,730
Long-term investments:		
Money market fund	1,529,445	1,757,308
Domestic bonds	5,860,370	5,770,747
International bonds	1,806,843	1,738,060
Domestic equity	12,726,517	10,835,980
International equity	4,662,276	3,910,917
Emerging markets equity	1,667,031	1,624,078
Real assets	2,142,352	2,148,956
Alternative investments	6,855,244	5,593,609
Total long-term investments	37,250,078	33,379,655
Total investments	$ 38,049,845	$ 34,674,385

8. FAIR VALUE MEASUREMENTS

Fair Value Measurements

In determining fair value, the Organization uses various methods including market, income and cost approaches. 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 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 information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three 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 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.

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 Organization has various processes and controls in place to ensure that fair value is reasonably estimated.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

8. FAIR VALUE MEASUREMENTS…continued

During the years ended June 30, 2013 and June 30, 2012, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

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.

Beneficial Interest in Charitable Trusts

The fair value of beneficial interest in charitable trusts is based on quoted market prices of the underlying investments and present value techniques.

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

	2013			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 799,767	$ -	$ -	$ 799,767
Money market fund	1,529,445	-	-	1,529,445
Domestic bonds	5,860,370	-	-	5,860,370
International bonds	1,805,943	900	-	1,806,843
Domestic equity	11,226,655	1,499,862	-	12,726,517
International equity	3,383,409	1,278,867	-	4,662,276
Emerging markets equity	1,667,031	-	-	1,667,031
Real assets	2,142,352	-	-	2,142,352
Alternative investments	-	-	6,855,244	6,855,244
Total long-term investments	$ 27,615,205	$ 2,779,629	$ 6,855,244	$ 37,250,078
Beneficial interest in trusts	$ -	$ -	$ 1,084,435	$ 1,084,435

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

8. FAIR VALUE MEASUREMENTS…continued

	2012			
	Level 1	Level 2	Level 3	Total
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	9,625,736	1,210,244	-	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
Total long-term investments	$ 25,462,523	$ 2,323,523	$ 5,593,609	$ 33,379,655
Beneficial interest in trusts	$ -	$ -	$ 361,017	$ 361,017

During the years ended June 30, 2013 and 2012, the Organization did not make any transfers between Level 1, Level 2, or Level 3 assets.

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

	Alternative Investments	Beneficial Interest in Trusts
June 30, 2012	$ 5,593,609	$ 361,017
Gains (losses):		
Realized	464,537	-
Unrealized	309,412	17,112
Purchases/Contributions	718,696	706,306
Distributions	(231,010)	-
June 30, 2013	$ 6,855,244	$ 1,084,435

	Alternative Investments	Beneficial Interest in Trusts
June 30, 2011	$ 4,968,757	$ 344,671
Gains (losses):		
Realized	4,532	-
Unrealized	(53,848)	16,346
Purchases	707,148	-
Distributions	(32,980)	-
June 30, 2012	$ 5,593,609	$ 361,017

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
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8. FAIR VALUE MEASUREMENTS…continued

All gains (losses) 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, 2013 and 2012 is $264,601 and ($78,424) respectively.

The following table presents quantitative information about significant unobservable inputs used in Level 3 fair value measurements at June 30, 2013 and 2012:

	2013 Fair Value	2012 Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Beneficial interest in perpetual trusts	$ 547,011	$ -	Market approach based on underlying securities	None	N/A
Beneficial interests in charitable remainder trusts	$ 537,424	$ 361,017	Income approach-discounted cash flow and present value techniques	Discount Rate	4.64% - 7.60% (5.52%)
				Rate of Return	6% (6%)
				Life Expectancy	5.92 years - 21 years (16.53 years)

The assets held in trust are managed by an independent third party trustee, and the Organization has no authority over investment decisions. Thus, they are classified as Level 3 within the fair value hierarchy levels.

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 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	2013 NAV in Funds	2013 Number of Funds	2013 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	$ 1,499,862	1	$	Monthly	None	None
International equity	Global funds, primarily publically traded common stocks and fixed income	1,278,867	1		Monthly	None	None
Private equity	Venture and buyout, in the U.S. and international	3,089,268	5	1,687,500	N/A*	N/A	N/A
Absolute return	Fund of funds which focuses on partnerships investing in publically traded companies	3,765,976	2		Annual	None	None
		$ 9,633,973	9	$ 1,687,500			

* 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, 2013 and 2012

8. FAIR VALUE MEASUREMENTS…continued

	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	$ 1,210,244	1	$ -	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
		$ 7,916,232	8	$ 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
Years Ended June 30, 2013 and 2012

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

	2013	2012
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 6,635,696	$ 5,397,907
Service cost	474,825	451,823
Interest cost	261,426	286,564
Actuarial gain (loss)	(784,010)	714,383
Benefits paid	(83,627)	(214,981)
Expenses paid	(43,857)	-
Benefit obligation at end of year	6,460,453	6,635,696
Change in plan assets:		
Fair value of plan assets at beginning of year	3,985,220	3,301,941
Actual return on plan assets	470,096	45,002
Employer contributions made prior to measurement date	436,500	853,258
Benefits paid	(83,627)	(214,981)
Expenses paid	(43,857)	-
Fair value of plan assets at end of year	4,764,332	3,985,220
Funded status of plan at end of year	$ (1,696,121)	$ (2,650,476)
Amounts recognized on statement of financial position:		
Accrued expenses	$ (1,696,121)	$ (2,650,476)
Amounts recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost consist of:		
Net actuarial loss	$ 1,620,869	$ 2,741,567
For pension plans with accumulated benefit obligations in excess of assets at June 30 of the respective years, aggregate amounts were:		
Projected benefit obligations	$ 6,460,453	$ 6,635,696
Accumulated benefit obligations	5,479,447	5,514,817
Plan assets	4,764,332	3,985,220

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

9. PENSION PLAN…continued

Net Periodic Benefit Cost and Other Changes in Unrestricted Net Assets

	2013	2012
Service cost	$ 474,825	$ 451,823
Interest cost	261,426	286,564
Actual return on plan assets	(470,096)	(45,002)
Amortization of unrecognized net gains	154,815	106,845
Deferred asset gain (loss)	181,873	(194,532)
Net periodic benefit cost	602,843	605,698
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	(1,120,698)	802,070
Total amounts recognized as changes in unrestricted net assets arising from the defined benefit plan	$ (517,855)	$ 1,407,768

Assumptions

	2013	2012
Weighted-average assumptions used in computing ending obligations:		
Discount rate	4.75%	4.25%
Rate of compensation increase	2.75	2.75
Weighted-average assumptions used in computing net cost:		
Discount rate	4.25%	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	2013	2012
Pension plans:		
Equity securities	60%	60%
Debt securities	40	40
	100%	100%

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

9. PENSION PLAN…continued

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

	2013			
Asset Class	Total	Quoted Prices Level 1	Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Registered Investment Companies:				
Cash	$ 81	$ 81	$ -	$ -
Domestic Equity Securities (a)	2,214,761	2,214,761	-	-
International Equity Securities (b)	700,299	700,299	-	-
Domestic Fixed Income (c)	1,849,191	1,849,191	-	-
	$ 4,764,332	$ 4,764,332	$ -	$ -

	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	$ -	$ -

(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, 2013 and 2012.

The Boys and Girls Clubs of Boston, Inc.

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%

<u>Cash Flows</u>

Employer contributions:		
2012	$	853,258
2013		436,500
2014		550,000
Benefit payments:		
2012	$	214,981
2013		83,627

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

2014	$	131,000
2015		140,000
2016		927,000
2017		135,000
2018		1,057,000
2019 - 2023		1,164,000

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

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, 2013 and 2012.

Interest expense was $75 and $767 for the years ended June 30, 2013 and 2012, respectively.

11. LAND, BUILDINGS AND EQUIPMENT

	2013	2012
Land	$ 160,275	$ 160,275
Buildings and improvements	44,928,267	44,647,702
Equipment, furniture and fixtures	2,630,374	2,352,386
	47,718,916	47,160,363
Less - accumulated depreciation	(22,603,919)	(20,932,200)
	$ 25,114,997	$ 26,228,163

Depreciation expense amounted to $1,671,718 and $1,602,370 for the years ended June 30, 2013 and 2012, respectively.

12. 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 $96,216 and $102,557 for the years ended June 30, 2013 and 2012, 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 7.70% and 2.14% of the Organization's total investments as of June 30, 2013 and 2012, respectively.

13. 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.

The Boys and Girls Clubs of Boston, Inc.
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

14. OPERATING LEASES

The Organization has a variety of operating leases for automobiles, equipment and office space, expiring December 2017. As of June 30, 2013 and 2012, the Organization paid $365,823 and $317,306, respectively for these leases.

The following is a schedule of minimum lease payments as of June 30, 2013 under these lease agreements as of June 30:

2014	$ 355,950
2015	343,616
2016	341,871
2017	295,750
2018	8,668
	$ 1,345,855

15. ENDOWMENT ASSETS

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

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment Funds	$ 4,152,424	$ 4,457,871	$ 28,550,877	$ 37,161,172

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment Funds	$ 3,859,552	$ 2,151,973	$ 27,368,130	$ 33,379,655

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

15. ENDOWMENT ASSETS…continued

Changes in endowment net assets for the year ended June 30, 2013 and 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2012	$ 3,859,552	$ 2,151,973	$ 27,368,130	$ 33,379,655
Investment return:				
Net investment income	38,622	304,090	-	342,712
Net realized and unrealized gain	397,561	3,130,149	-	3,527,710
Total investment return	436,183	3,434,239	-	3,870,422
Gifts to endowment and payments on endowment pledges	-	-	1,182,747	1,182,747
Appropriation of endowment income per spending policy	(143,311)	(1,128,341)	-	(1,271,652)
June 30, 2013	$ 4,152,424	$ 4,457,871	$ 28,550,877	$ 37,161,172

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2011	$ 4,078,653	$ 3,482,700	$ 21,625,255	$ 29,186,608
Investment return:				
Net investment income	83,510	610,433	-	693,943
Net realized and unrealized loss	(145,898)	(933,950)	-	(1,079,848)
Total investment return	(62,388)	(323,517)	-	(385,905)
Gifts to endowment and payments on endowment pledges	21,793	-	5,742,875	5,764,668
Appropriation of endowment income per spending policy	(178,506)	(1,007,210)	-	(1,185,716)
June 30, 2012	$ 3,859,552	$ 2,151,973	$ 27,368,130	$ 33,379,655

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, 2013 and 2012.

The Boys and Girls Clubs of Boston, Inc.

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

16. BENEFICIAL INTEREST IN CHARITABLE TRUSTS

Beneficial interest in charitable trusts consist of the following at June 30:

	2013	2012
Beneficial interest in perpetual trusts held by third party	$ 547,011	$ -
Charitable remainder annuity trusts held by third party	537,424	361,017
	$ 1,084,435	$ 361,017

The Organization is one of the beneficiaries named in various perpetual trusts managed by third party trustees. Under the terms of the trust agreements, the Organization is to receive quarterly or annual distribution payments. During the years ended June 30, 2013 and 2012 the Organization received approximately $7,400, in distributions.

The Organization is also the beneficiary of charitable remainder trust instruments whereby an independent third party trustee has custody of and manages the assets and the annuities. These assets are recorded net of the present value of the annuity liability.

The net change in the value of the Organization's beneficial interest in these trusts is recorded as a change in the value of split interest agreements on the statements of activities. This change amounted to $17,112 and $16,346 for the years ended June 30, 2013 and 2012, respectively.

17. SUBSEQUENT EVENTS

The Organization evaluated subsequent events through November 14, 2013, the date when the financial statements were available to be issued.