

**BOYS & GIRLS CLUBS OF  
GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER  
SCOTTSDALE FOUNDATION**

**COMBINED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

Year Ended June 30, 2011

**BOYS & GIRLS CLUBS OF  
GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER  
SCOTTSDALE FOUNDATION**

**COMBINED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

Year Ended June 30, 2011

**CONTENTS**

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1
COMBINED FINANCIAL STATEMENTS	
Combined Statement of Financial Position	2
Combined Statement of Activities	3
Combined Statement of Functional Expenses	4
Combined Statement of Cash Flows	5
Notes to Combined Financial Statements	6 - 16
ADDITIONAL INFORMATION	
Independent Auditors' Report on Additional Information	17
Combining Statements of Financial Position	18
Combining Statements of Activities	19



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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC. and  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

We have audited the accompanying combined statement of financial position of *Boys & Girls Clubs of Greater Scottsdale, Inc. and Boys & Girls Clubs of Greater Scottsdale Foundation* at June 30, 2011, and the related combined statements of activities, functional expenses and cash flows for the year then ended. These combined financial statements are the responsibility of the management of *Boys & Girls Clubs of Greater Scottsdale, Inc. and Boys & Girls Clubs of Greater Scottsdale Foundation*. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the 2010 combined financial statements and, in our report dated April 7, 2011, we expressed an unqualified opinion on those combined financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 combined financial statements referred to above present fairly, in all material respects, the financial position of *Boys & Girls Clubs of Greater Scottsdale, Inc. and Boys & Girls Clubs of Greater Scottsdale Foundation* at June 30, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Phoenix, Arizona  
December 20, 2011

*Mayer Hoffman McCann P.C.*

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**COMBINED STATEMENT OF FINANCIAL POSITION**

June 30, 2011  
(with comparative totals at June 30, 2010)

**A S S E T S**

	2011	2010
<b>CURRENT ASSETS</b>		
Cash	\$ 574,548	\$ 660,604
Receivables, net	1,021,783	744,492
Prepaid expenses	38,850	33,239
<b>TOTAL CURRENT ASSETS</b>	<b>1,635,181</b>	<b>1,438,335</b>
 PLEDGES RECEIVABLE, net	 228,877	 364,504
 INVESTMENTS	 8,798,061	 7,860,373
 PROPERTY AND EQUIPMENT, net	 14,008,452	 13,807,361
 ASSETS RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT		
Pledges receivable, net	538,236	811,592
Investments	-	94,425
Construction in progress	-	33,336
<b>TOTAL ASSETS</b>	<b>\$ 25,208,807</b>	<b>\$ 24,409,926</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 597,792	\$ 481,490
Deferred revenue	85,302	59,718
Other liabilities	33,649	18,728
<b>TOTAL CURRENT LIABILITIES</b>	<b>716,743</b>	<b>559,936</b>
 <b>NET ASSETS</b>		
Unrestricted	22,719,565	21,827,809
Temporarily restricted	1,772,499	2,022,181
<b>TOTAL NET ASSETS</b>	<b>24,492,064</b>	<b>23,849,990</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 25,208,807</b>	<b>\$ 24,409,926</b>

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**COMBINED STATEMENT OF ACTIVITIES**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

	Temporarily		Totals	
	Unrestricted	Restricted	2011	2010
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 2,764,002	\$ 201,867	\$ 2,965,869	\$ 3,467,100
Capital campaign contributions	-	353,342	353,342	133,398
Loss on uncollectible pledges	-	(41,852)	(41,852)	(688,946)
Program service fees	3,495,710	-	3,495,710	3,585,853
Donated materials and facilities	473,612	-	473,612	467,803
United Way allocations	20,219	249,782	270,001	272,254
Investment income	244,859	-	244,859	213,295
Realized/unrealized gains on investments	1,420,285	-	1,420,285	642,232
Membership income	131,915	-	131,915	134,029
Thrift store revenue, net	163,130	-	163,130	159,257
Branch fundraising	89,208	-	89,208	109,846
Other	132,690	-	132,690	129,402
	<u>8,935,630</u>	<u>763,139</u>	<u>9,698,769</u>	<u>8,625,523</u>
Total support and revenue before special events and net assets released from restrictions				
Special events revenue	1,012,787	-	1,012,787	864,986
Less costs of direct donor benefits	(283,690)	-	(283,690)	(274,848)
Gross profit from special events	<u>729,097</u>	<u>-</u>	<u>729,097</u>	<u>590,138</u>
Net assets released from restrictions	<u>1,012,821</u>	<u>(1,012,821)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>10,677,548</u>	<u>(249,682)</u>	<u>10,427,866</u>	<u>9,215,661</u>
<b>EXPENSES</b>				
Comprehensive youth development	7,808,100	-	7,808,100	7,734,020
Management and general	968,973	-	968,973	863,672
Fundraising	1,008,719	-	1,008,719	906,825
<b>TOTAL EXPENSES</b>	<u>9,785,792</u>	<u>-</u>	<u>9,785,792</u>	<u>9,504,517</u>
<b>CHANGE IN NET ASSETS</b>	<u>891,756</u>	<u>(249,682)</u>	<u>642,074</u>	<u>(288,856)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>21,827,809</u>	<u>2,022,181</u>	<u>23,849,990</u>	<u>24,138,846</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 22,719,565</u>	<u>\$ 1,772,499</u>	<u>\$ 24,492,064</u>	<u>\$ 23,849,990</u>

See Notes to Combined Financial Statements

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

	Program	Supporting Services		Totals	
	Comprehensive Youth Development	Management and General	Fundraising	2011	2010
Salaries	\$ 3,901,433	\$ 460,286	\$ 463,805	\$ 4,825,524	\$ 4,757,767
Employee benefits	439,283	77,981	52,785	570,049	530,637
Payroll taxes	334,972	56,601	33,925	425,498	414,365
Occupancy	1,076,513	81,271	63,283	1,221,067	1,184,942
Program supplies	759,354	-	-	759,354	730,527
Professional fees	211,157	80,660	48,018	339,835	255,121
Travel and entertainment	197,034	2,529	6,312	205,875	251,476
Meetings/conferences	13,370	8,731	976	23,077	45,472
Printing and publication	9,916	1,473	87,656	99,045	168,240
Service contract/leases	58,755	22,657	12,787	94,199	94,588
Investment banking	-	100,679	-	100,679	90,371
Scholarship assistance	34,500	-	-	34,500	43,165
Supplies	38,669	10,055	4,045	52,769	53,363
Awards and grants	17,333	9,109	1,054	27,496	29,633
Donor relations	3,952	8,500	62,936	75,388	78,101
National dues	24,597	-	-	24,597	27,053
Postage and shipping	4,114	3,469	3,998	11,581	5,743
Branch fundraising	11,937	-	-	11,937	6,641
Membership dues	5,431	4,520	205	10,156	15,998
Computer equipment	998	-	-	998	1,908
Directors/officers insurance	-	9,300	-	9,300	9,288
Fundraising events	-	-	131,057	131,057	-
Other	65,096	2,694	1,477	69,267	71,481
Total expenses before depreciation	7,208,414	940,515	974,319	9,123,248	8,865,880
Depreciation	599,686	28,458	34,400	662,544	638,637
<b>TOTAL EXPENSES</b>	<b>\$ 7,808,100</b>	<b>\$ 968,973</b>	<b>\$ 1,008,719</b>	<b>\$ 9,785,792</b>	<b>\$ 9,504,517</b>

See Notes to Combined Financial Statements

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**COMBINED STATEMENT OF CASH FLOWS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 642,074	\$ (288,856)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	681,686	657,500
Realized/unrealized gains on investments	(1,420,285)	(642,232)
Contributions restricted to investment in property and equipment	(353,342)	(133,398)
Change in allowance for uncollectible pledges	(11,480)	(7,990)
Change in discount for pledges	(27,893)	(53,586)
Write off of capital campaign pledge receivable	39,999	457,869
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(102,291)	529,240
Prepaid expenses	(5,611)	14,329
Increase (decrease) in:		
Accounts payable and accrued liabilities	116,302	32,322
Deferred revenue	25,584	(74,482)
Other liabilities	14,921	18,728
Net cash provided by (used in) operating activities	<u>(400,336)</u>	<u>509,444</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(2,125,264)	(2,978,264)
Purchases of assets restricted to investment in property and equipment	(744,007)	(2,747,499)
Purchases of property and equipment	(882,777)	(2,967,639)
Proceeds from sales of investments	2,607,861	2,646,680
Proceeds from sales of assets restricted to investment in property and equipment	<u>871,768</u>	<u>4,939,213</u>
Net cash used in investing activities	<u>(272,419)</u>	<u>(1,107,509)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collections on contributions restricted to investment in property and equipment	<u>586,699</u>	<u>495,198</u>
<b>NET CHANGE IN CASH</b>	(86,056)	(102,867)
<b>CASH, BEGINNING OF YEAR</b>	<u>660,604</u>	<u>763,471</u>
<b>CASH, END OF YEAR</b>	<u>\$ 574,548</u>	<u>\$ 660,604</u>

See Notes to Combined Financial Statements

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

**(1) Clubs and Foundation operations and summary of significant accounting policies**

**Nature of operations - *Boys & Girls Clubs of Greater Scottsdale, Inc.*** (the "Clubs") is an Arizona corporation formed in June 1954 to promote the physical, mental and moral well-being of boys and girls by providing education, recreation and guidance. The Clubs operate several facilities in Scottsdale: the Virginia G. Piper Branch, the Rose Lane Branch, the Hartley and Ruth Barker Branch, the Thunderbirds Branch, the Vestar Branch in Phoenix, and the McKee Branch in Fountain Hills. The Clubs are also involved in the Red Mountain and Lehi facilities in conjunction with the Salt River Pima-Maricopa Indian tribe and the Hualapai facility in conjunction with the Hualapai tribal community. The Clubs serve approximately 15,000 boys and girls including approximately 7,500 in their after school and summer day camp programs. The Clubs also operate a thrift store in Scottsdale for fundraising purposes.

***Boys & Girls Clubs of Greater Scottsdale Foundation*** (the "Foundation") was incorporated in January 1994 with the Clubs as the sole corporate member of the Foundation. The Foundation was organized to manage investment funds, with the income to be used for the benefit of the Clubs.

The significant accounting policies followed by the Clubs and Foundation (collectively referred to herein as the "Organization") are as follows:

The Financial Accounting Standards Board ("FASB") sets U.S. generally accepted accounting principles ("GAAP") to ensure consistent reporting. References to GAAP are to the *FASB Accounting Standards Codification* ("FASB ASC").

**Combined financial statements** - The accompanying combined financial statements represent the combined accounts of the Clubs and Foundation. All significant interorganization transactions and accounts have been eliminated in combination.

**Basis of presentation** - The accompanying combined financial statements are presented in accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Clubs and Foundation are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Prior year summarized information** - The accompanying combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Clubs' and Foundation's combined financial statements for the year ended June 30, 2010, from which the summarized information was derived.

**Management's use of estimates** - The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.



**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

**(1) Clubs and Foundation operations and summary of significant accounting policies (continued)**

**Contributions** - The Clubs and Foundation account for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions. Restricted support, where the restriction is met in the same period as the donation is made, is shown as an addition to unrestricted support.

**Promises to give** - Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the pledge is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the pledge's collectibility. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Financial instruments that potentially subject the Clubs and Foundation to concentrations of credit risk consist principally of pledges receivable. The Clubs and Foundation pledges receivable consist of single and multi-year pledges primarily from individuals and large corporations.

**Program service fees** - The Clubs record revenues from program service fees over the applicable membership period. The unearned portion of the program service fees is recorded as deferred revenue at June 30, 2011 and 2010 in the accompanying combined statement of financial position.

**Special events revenue** - The Clubs conduct special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Clubs. The direct costs of the special events, which ultimately benefit the donor rather than the Clubs, are recorded as costs of direct donor benefits. All proceeds received in excess of the direct donor benefits are recorded as gross profit from special events in the accompanying combined statement of activities.

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

**(1) Clubs and Foundation operations and summary of significant accounting policies (continued)**

**Donated materials and services** - Donated services are recognized as contributions in accordance with FASB ASC 958-605, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Donated materials and services are reflected in the accompanying combined financial statements at their estimated fair values at the date of receipt. No amounts have been reflected in the combined financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605; however, a substantial number of volunteers have donated significant amounts of their time in the Clubs' and Foundation's program services and fundraising campaigns. During 2011 and 2010, the Organization received the following donated items:

	<u>Used for</u>	<u>Amounts</u>	
		<u>2011</u>	<u>2010</u>
Leased land and facilities	Programs and Support	\$ 314,150	\$ 268,450
Supplies and other materials	Programs	159,462	199,353
Total donated materials and facilities		<u>\$ 473,612</u>	<u>\$ 467,803</u>

**Functional allocation of expenses** - Expenses are charged to Comprehensive Youth Development (Program), Management and General, and Fundraising categories based on direct expenditures incurred. Any expenditures not directly chargeable are allocated based on personnel activity.

**Cash** - Cash includes cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Cash deposits at commercial banks are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC).

**Receivables** - Receivables are stated at the amount management expects to collect under the terms of the contract agreements. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables.

**Investments** - The Organization accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities*. Under ASC 958-320, the Organization is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair value is based on quoted market prices.

Investments 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 at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying combined financial statements.

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

**(1) Clubs and Foundation operations and summary of significant accounting policies (continued)**

**Property, equipment and related depreciation** - Purchased property and equipment is valued at cost and donated property and equipment is recorded at fair value at the date of the gift to the Organization. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs and maintenance that materially prolong the useful lives of assets are capitalized. Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings and leasehold improvements	10 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	5 years

**Impairment of long-lived assets** - The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded during 2011 and 2010.

**Assets restricted to investment in property and equipment** - Assets restricted to investment in property and equipment, as described more fully in Note 2, consist of capital campaign pledges, investments, and construction in progress that are restricted by donors for building an additional club and improvements to other specific clubs.

**Income tax status** - The Clubs and Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes. In addition, the Clubs and Foundation qualify for the charitable contribution deduction under Section 170 of the Code and have been deemed not to be private foundations. Income determined to be unrelated business taxable income (UBTI) would be taxable. Management does not believe the Clubs or Foundation have any UBTI for the year ended June 30, 2011.

The Clubs and Foundation evaluate their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts.

The Clubs' and Foundation's federal Exempt Organization Business Income Tax Returns (Form 990) for 2008, 2009 and 2010 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the 2011 tax returns had not yet been filed.

**Subsequent events** - The Clubs and Foundation have evaluated subsequent events through December 20, 2011, which is the date the combined financial statements were available to be issued.

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

**(2) Receivables**

Receivables consist of:

Current receivables:	<u>2011</u>	<u>2010</u>
Operating receivables	\$ 166,874	\$ 153,806
United Way receivable	249,782	252,305
Current pledges receivable	605,127	338,381
Total current receivables	<u>\$ 1,021,783</u>	<u>\$ 744,492</u>
Long-term pledges:	<u>2011</u>	<u>2010</u>
Pledges receivable due in 2-5 years, net of 5% discount of \$30,914 in 2011 and \$58,807 in 2010	\$ 244,086	\$ 391,193
Total long-term pledges	244,086	391,193
Allowance for uncollectible long-term pledges	(15,209)	(26,689)
Net long-term pledges	<u>\$ 228,877</u>	<u>\$ 364,504</u>
Pledges held as assets restricted to investment in property and equipment:		
	<u>2011</u>	<u>2010</u>
Pledges receivable due in less than one year	\$ 301,818	\$ 478,145
Pledges receivable due in 2-5 years, net of 5% discount of \$34,370 in 2011 and \$60,965 in 2010	265,630	389,035
Total pledges receivable	567,448	867,180
Allowance for uncollectible pledges	(29,212)	(55,588)
Net pledges receivable	<u>\$ 538,236</u>	<u>\$ 811,592</u>
Net receivables in total	<u>\$ 1,788,896</u>	<u>\$ 1,920,588</u>

Included in receivables are pledges due from Board members of \$1,107,891 and \$1,177,728 at June 30, 2011 and 2010, respectively.

Assets restricted to investment in property and equipment will allow the Clubs to expand services to an additional 4,000 young people, including 1,000 teens. Specific projects funded by this capital campaign included the construction of a new 27,000 square foot Boys & Girls Club with a Teen Center and two Teen Centers at existing Clubs; the expansion of technology, fine arts, and education programs; relocation and expansion of the Thrift Store; and construction of an Administrative & Training Center. Lastly, other funds raised during the capital campaign will aid in securing future operations by increasing the Clubs' endowment.

During the year ended June 30, 2011, the construction of the Virginia G. Piper Teen Center was completed and the facility was placed into service. Accordingly, in fiscal 2011, approximately \$714,000 of assets restricted to investment in property and equipment were released from restriction related to the Teen Center. The general contractor on the Teen Center was a related party and expenses to the related party totaled \$572,522 for the year ended June 30, 2011.

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

**(2) Receivables (continued)**

During the year ended June 30, 2010, the construction of the Virginia G. Piper Administrative & Training Center was completed and the facility was placed into service. Accordingly, in fiscal 2010, approximately \$2,700,000 of assets restricted to investment in property and equipment were released from restriction related to the Administrative & Training Center.

**(3) Investments**

Investments consist of the following for the year ended June 30, 2011:

	<b>2011</b>
Mutual funds:	
Intermediate duration – fixed income	\$ 1,818,103
International equities	1,081,358
Global real estate equities	968,094
Other mutual funds that are less than 5% of total investments	629,871
Equities:	
Consumer growth	1,083,448
Capital equipment	816,774
Financial	522,990
Energy	442,396
Other equities that are less than 5% of total investments	1,148,030
Cash and cash equivalents – interest bearing	253,930
Money market funds	33,067
Total investments	\$ 8,798,061

Investments consist of the following for the year ended June 30, 2010:

	<b>2010</b>
Common stock	\$ 2,082,285
Fixed income funds	2,437,196
Equity mutual funds	1,863,140
Cash equivalents	308,151
Emerging market funds	244,057
REIT funds	693,729
Money market funds	326,240
Total investments	\$ 7,954,798

Expenses relating to investment income, including custodial fees and investment advisory fees, of \$32,978 and \$83,466 for 2011 and 2010, respectively, were charged to operations.

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

**(4) Property and equipment**

Property and equipment consists of:	<u>2011</u>	<u>2010</u>
Cost or donated value:		
Land	\$ 1,309,648	\$ 1,309,648
Buildings and leasehold improvements	16,482,623	15,731,563
Furniture and equipment	1,902,501	1,770,784
Vehicles	<u>758,431</u>	<u>758,431</u>
Total cost or donated value	20,453,203	19,570,426
Accumulated depreciation	<u>(6,444,751)</u>	<u>(5,763,065)</u>
Property and equipment, net	<u>\$ 14,008,452</u>	<u>\$ 13,807,361</u>

Depreciation expense charged to operations was \$681,686 and \$657,500 for 2011 and 2010, respectively, which included depreciation attributable to the thrift store of \$19,142 and \$18,863 for 2011 and 2010, respectively. Thrift store depreciation is included in thrift store revenue, net in the accompanying combined statement of activities.

**(5) Note payable**

The Clubs have a line of credit with a bank with an available limit of \$300,000. The line of credit matured in January 2011 and was extended through January 2012. Interest is payable monthly at the bank prime rate (3.25% at June 30, 2011 and 2010), but not less than 5%. There were no amounts outstanding under the line of credit at June 30, 2011 or 2010.

**(6) Unrestricted net assets**

Unrestricted net assets consists of:	<u>2011</u>	<u>2010</u>
Undesignated	\$ 20,516,001	\$ 19,682,063
Board designated for long-term investments	2,000,000	2,000,000
Investment Committee designated for charitable gift annuity program	<u>203,564</u>	<u>145,746</u>
Total unrestricted net assets	<u>\$ 22,719,565</u>	<u>\$ 21,827,809</u>

During 2010, the Investment Committee developed a policy for the Foundation's new charitable gift annuity program whereby an initial \$100,000 was self-funded to help commence the program. Additional unrestricted annuities received are also designated by the Board to the annuity program.

The by-laws of the Foundation designate \$2,000,000 of the unrestricted net assets to be used as an endowment. The designated amount is only to be used for investment purposes, the income of which is for the benefit of the Clubs. The amount can be changed only by a two-thirds vote of the Board of Directors of the Foundation.

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

**(7) Temporarily restricted net assets**

Temporarily restricted net assets consists of:	<u>2011</u>	<u>2010</u>
Purpose restrictions:		
Capital campaign	\$ 538,236	\$ 939,353
Piper Football Field	32,950	32,950
Thunderbird darkroom	14,639	14,639
Families in need	15,243	17,560
Scholarship fund - Hope	47,416	47,416
Scholarship fund - Others	24,750	16,150
Programs - Other	16,780	185
Time restrictions:		
Long-term AFK pledges	333,474	378,245
United Way	249,782	252,305
Other long term pledges	499,229	323,378
Total temporarily restricted net assets	<u>\$ 1,772,499</u>	<u>\$ 2,022,181</u>

**(8) Endowments**

The Organization's endowment consists entirely of board designated funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2008, the State of Arizona enacted ARS§10-11801 et seq Investments for Eleemosynary Purposes (IFEP). As the Organization does not currently have any donor-restricted endowment funds, the Act does not apply for the years ended June 30, 2011 and 2010.

The Organization's annual appropriations are at the discretion of the Organization's Board of Directors unless specific instructions are provided by the endowment donors.

The changes in endowment net assets for the year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Contributions	-	-	-	
Interest and dividends	53,686	-	-	53,686
Net appreciation	313,314	-	-	313,314
Appropriation of assets for expenditure	<u>(367,000)</u>	<u>-</u>	<u>-</u>	<u>(367,000)</u>
Endowment net assets, end of year	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

**(8) Endowments (continued)**

The changes in endowment net assets for the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Contributions	-	-	-	-
Interest and dividends	52,749	-	-	52,749
Net appreciation	159,251	-	-	159,251
Appropriation of assets for expenditure	<u>(212,000)</u>	<u>-</u>	<u>-</u>	<u>(212,000)</u>
Endowment net assets, end of year	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>

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 endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

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 consists of equity-based investments, corporate and municipal bonds, and money market accounts.

**(9) Operating leases**

The Clubs lease property and certain office equipment under noncancelable operating leases expiring through 2013. The minimum future rental commitments under these noncancelable operating leases (which excludes the contributed value) are as follows:

<u>Years Ending June 30,</u>		
2012		\$ 87,914
2013		<u>16,776</u>
Total minimum future rental payments		<u>\$ 104,690</u>

Certain leases do not contain renewal options; however, in the normal course of business, the Clubs will either renew the leases or seek new arrangements.

The Clubs also lease the land for the Virginia Piper, Barker and Thunderbird branches from the City of Scottsdale with an additional lease for the McKee branch from the Town of Fountain Hills. The leases require payments of \$1 each per year and expire in April 2038, June 2049, February 2052 and July 2022, respectively. The fair value of the leases is estimated to be \$314,150 and \$268,450 for 2011 and 2010, respectively, and is included as donated materials and facilities in the accompanying combined financial statements.

Total rental expense (excluding the contributed value of \$314,150 and \$268,450 for 2011 and 2010, respectively) under all leases with a term in excess of one month totaled \$94,199 for 2011 and \$98,915 for 2010.



**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

**(10) Pension and 401(k) plans**

The Clubs have a defined contribution pension plan for all employees who meet specified age and service requirements. Under an affiliation agreement with the Boys & Girls Clubs of America, the plan is administered by JZA, Inc. The Clubs contribute 5% of actual compensation upon eligibility determined by the pension administrator. After six years, the participant is fully vested. Total pension expense was \$118,171 for 2011 and \$126,664 for 2010.

The Association sponsors a 401(k) plan covering substantially all employees who have completed 12 months of service and are age twenty-one or older. The Association matches employee contributions at a rate of 100 percent up to 2.5 percent of their pay. For the years ended June 30, 2011 and 2010, the Clubs and Foundation contributed \$49,388 and \$48,189, respectively, to the Plan.

**(11) Thrift store revenue**

Thrift store revenue consists of:

	<b>2011</b>	<b>2010</b>
Value of contributed items	\$ 289,123	\$ 267,216
Sales proceeds from contributed items	289,123	267,216
Cost of materials	(289,123)	(267,216)
Operating expenses	(125,993)	(107,959)
Thrift store revenue, net	<b>\$ 163,130</b>	<b>\$ 159,257</b>

**(12) Contingencies**

The Clubs are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these matters will have a material adverse effect on the Clubs' financial position, results of operations or cash flows.

The Clubs and the City of Scottsdale (the "City") are in a dispute regarding certain capital improvement costs incurred by the City during 2009/2010 on a branch property leased by the Clubs from the City. The City is pursuing a reimbursement of a portion of the renovation costs totaling approximately \$510,000 of which the Club is responsible for \$384,300, citing the terms of the lease. The Clubs believe the City has breached the terms of the lease and as such do not believe they are required to provide the City with the requested funding. The Clubs and the City are currently in negotiations regarding this dispute and there is a possibility that the Clubs may be required to provide some funding to settle this dispute, however, such amounts cannot be estimated as of the date of this report. The total estimated range of possible loss related to this dispute is from approximately \$0 to \$384,300. The Clubs have not recorded any liability in the accompanying combined financial statements related to this dispute.

**(13) Related party transactions**

The Clubs received revenues from their national affiliate, The Boys and Girls Club of America, of approximately \$182,034 (including \$131,834 of federal funds passed through) in 2011 and \$108,779 (including \$100,279 of federal funds passed through) in 2010, which are included in contributions in the accompanying combined statement of activities.

The Clubs paid dues to their national affiliate, The Boys and Girls Club of America, of \$24,596 in 2011 and \$27,053 in 2010.

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

**(14) Fair value measurements**

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

The following table summarizes the valuation of the Organization's assets and liabilities subject to fair value measurement on a recurring basis by the above FASB ASC 820 categories as of June 30, 2011:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds:			
Intermediate duration – fixed income	\$ 1,818,103	\$ -	\$ -
International equities	1,081,358	-	-
Global real estate equities	968,094	-	-
Other mutual funds that are less than 5% of total investments	629,871	-	-
Equities:			
Consumer growth	1,083,448	-	-
Capital equipment	816,774	-	-
Financial	522,990	-	-
Energy	442,396	-	-
Other equities that are less than 5% of total investments	1,148,030	-	-
Money market funds	33,067	-	-

The following table summarizes the valuation of the Organization's assets and liabilities subject to fair value measurement on a recurring basis by the above FASB ASC 820 categories as of June 30, 2010:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Common stocks	\$ 2,082,285	\$ -	\$ -
Fixed income funds	2,437,196	-	-
US equity mutual funds	989,260	-	-
International equity mutual funds	873,880	-	-
Emerging market funds	244,057	-	-
REIT funds	-	693,729	-
Money market funds	326,240	-	-

The Organization currently has no other assets or liabilities subject to fair value measurement other than at Initial recognition.



**Mayer Hoffman McCann P.C.**

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**INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

We have audited the combined financial statements of *Boys & Girls Clubs of Greater Scottsdale, Inc. and Boys & Girls Clubs of Greater Scottsdale Foundation* (collectively, the "Organization") as of and for the year ended June 30, 2011, and our report thereon dated December 20, 2011 appears on page 1. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position on page 18 and the combining statement of activities on page 19 are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual organizations, and not a required part of the combined financial statements. Accordingly, we do not express an opinion on the financial position or results of operations of the individual organizations. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Phoenix, Arizona  
December 20, 2011

*Mayer Hoffman McCann P.C.*

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**ADDITIONAL INFORMATION**

June 30, 2011 and 2010

**COMBINING STATEMENTS OF FINANCIAL POSITION**

	<b><u>ASSETS</u></b>							
	<b>2011</b>				<b>2010</b>			
	<b>Clubs</b>	<b>Foundation</b>	<b>Eliminating Entries</b>	<b>Combined Balances</b>	<b>Clubs</b>	<b>Foundation</b>	<b>Eliminating Entries</b>	<b>Combined Balances</b>
<b>CURRENT ASSETS</b>								
Cash	\$ 574,548	\$ -	\$ -	\$ 574,548	\$ 660,604	\$ -	\$ -	\$ 660,604
Receivables, net	795,773	408,510	(182,500)	1,021,783	635,831	292,083	(183,422)	744,492
Prepaid expenses	38,850	-	-	38,850	33,239	-	-	33,239
<b>TOTAL CURRENT ASSETS</b>	<b>1,409,171</b>	<b>408,510</b>	<b>(182,500)</b>	<b>1,635,181</b>	<b>1,329,674</b>	<b>292,083</b>	<b>(183,422)</b>	<b>1,438,335</b>
PLEDGES RECEIVABLE, net	-	228,877	-	228,877	-	364,504	-	364,504
INVESTMENTS	49,027	8,749,034	-	8,798,061	360,497	7,499,876	-	7,860,373
PROPERTY AND EQUIPMENT, net	14,007,306	1,146	-	14,008,452	13,807,361	-	-	13,807,361
<b>ASSETS RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT</b>								
Pledges receivable, net	-	538,236	-	538,236	-	811,592	-	811,592
Investments	-	-	-	-	-	94,425	-	94,425
Construction in progress	-	-	-	-	33,336	-	-	33,336
<b>TOTAL ASSETS</b>	<b>\$ 15,465,504</b>	<b>\$ 9,925,803</b>	<b>\$ (182,500)</b>	<b>\$ 25,208,807</b>	<b>\$ 15,530,868</b>	<b>\$ 9,062,480</b>	<b>\$ (183,422)</b>	<b>\$ 24,409,926</b>
	<b><u>LIABILITIES AND NET ASSETS</u></b>							
<b>CURRENT LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ 597,792	\$ 182,500	\$ (182,500)	\$ 597,792	\$ 481,490	\$ 183,422	\$ (183,422)	\$ 481,490
Deferred revenue	85,302	-	-	85,302	59,718	-	-	59,718
Other liabilities	-	33,649	-	33,649	-	18,728	-	18,728
<b>TOTAL CURRENT LIABILITIES</b>	<b>683,094</b>	<b>216,149</b>	<b>(182,500)</b>	<b>716,743</b>	<b>541,208</b>	<b>202,150</b>	<b>(183,422)</b>	<b>559,936</b>
<b>NET ASSETS</b>	<b>14,782,410</b>	<b>9,709,654</b>	<b>-</b>	<b>24,492,064</b>	<b>14,989,660</b>	<b>8,860,330</b>	<b>-</b>	<b>23,849,990</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,465,504</b>	<b>\$ 9,925,803</b>	<b>\$ (182,500)</b>	<b>\$ 25,208,807</b>	<b>\$ 15,530,868</b>	<b>\$ 9,062,480</b>	<b>\$ (183,422)</b>	<b>\$ 24,409,926</b>

See Independent Auditors' Report on Additional Information

**BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE, INC.  
AND  
BOYS & GIRLS CLUBS OF GREATER SCOTTSDALE FOUNDATION**

**ADDITIONAL INFORMATION**

Years Ended June 30, 2011 and 2010

**COMBINING STATEMENTS OF ACTIVITIES**

	2011				2010			
	Clubs	Foundation	Eliminating Entries	Combined Balances	Clubs	Foundation	Eliminating Entries	Combined Balances
<b>SUPPORT AND REVENUE</b>								
Contributions	\$ 3,725,030	\$ 206,664	\$ (965,825)	\$ 2,965,869	\$ 5,734,576	\$ 708,642	\$ (2,976,118)	\$ 3,467,100
Capital campaign contributions	200,000	153,342	-	353,342	-	133,398	-	133,398
Loss on uncollectible pledges	-	(41,852)	-	(41,852)	(16,452)	(672,494)	-	(688,946)
Program service fees	3,495,710	-	-	3,495,710	3,585,853	-	-	3,585,853
Donated materials and facilities	473,612	-	-	473,612	467,803	-	-	467,803
United Way allocations	270,001	-	-	270,001	272,254	-	-	272,254
Investment income	3,383	241,476	-	244,859	4,212	209,083	-	213,295
Realized/unrealized gains on investments	3,724	1,416,561	-	1,420,285	7,736	634,496	-	642,232
Membership income	131,915	-	-	131,915	134,029	-	-	134,029
Thrift store revenue, net	163,130	-	-	163,130	159,257	-	-	159,257
Branch fundraising	89,208	-	-	89,208	109,846	-	-	109,846
Other	132,690	-	-	132,690	129,402	-	-	129,402
Total support and revenue before special events	<u>8,688,403</u>	<u>1,976,191</u>	<u>(965,825)</u>	<u>9,698,769</u>	<u>10,588,516</u>	<u>1,013,125</u>	<u>(2,976,118)</u>	<u>8,625,523</u>
Special events revenue	1,012,787	-	-	1,012,787	864,986	-	-	864,986
Less costs of direct donor benefits	(283,690)	-	-	(283,690)	(274,848)	-	-	(274,848)
Gross profit from special events	<u>729,097</u>	<u>-</u>	<u>-</u>	<u>729,097</u>	<u>590,138</u>	<u>-</u>	<u>-</u>	<u>590,138</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>9,417,500</u>	<u>1,976,191</u>	<u>(965,825)</u>	<u>10,427,866</u>	<u>11,178,654</u>	<u>1,013,125</u>	<u>(2,976,118)</u>	<u>9,215,661</u>
<b>EXPENSES</b>								
Comprehensive youth development	7,808,100	965,825	(965,825)	7,808,100	7,734,020	2,976,118	(2,976,118)	7,734,020
Management and general	849,897	119,076	-	968,973	762,404	101,268	-	863,672
Fundraising	966,753	41,966	-	1,008,719	874,436	32,389	-	906,825
<b>TOTAL EXPENSES</b>	<u>9,624,750</u>	<u>1,126,867</u>	<u>(965,825)</u>	<u>9,785,792</u>	<u>9,370,860</u>	<u>3,109,775</u>	<u>(2,976,118)</u>	<u>9,504,517</u>
CHANGE IN NET ASSETS	(207,250)	849,324	-	642,074	1,807,794	(2,096,650)	-	(288,856)
NET ASSETS, BEGINNING OF YEAR	<u>14,989,660</u>	<u>8,860,330</u>	<u>-</u>	<u>23,849,990</u>	<u>13,181,866</u>	<u>10,956,980</u>	<u>-</u>	<u>24,138,846</u>
NET ASSETS, END OF YEAR	<u>\$ 14,782,410</u>	<u>\$ 9,709,654</u>	<u>\$ -</u>	<u>\$ 24,492,064</u>	<u>\$ 14,989,660</u>	<u>\$ 8,860,330</u>	<u>\$ -</u>	<u>\$ 23,849,990</u>

See Independent Auditors' Report on Additional Information