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

COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

Year Ended June 30, 2013

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

COMBINED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

Year Ended June 30, 2013

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

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

We have audited the accompanying combined financial statements of ***Boys & Girls Clubs of Greater Scottsdale, Inc. and Subsidiary and Boys & Girls Clubs of Greater Scottsdale Foundation***, which comprise the combined statement of financial position as of June 30, 2013, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of ***Boys & Girls Clubs of Greater Scottsdale, Inc. and Subsidiary and Boys & Girls Clubs of Greater Scottsdale Foundation*** as of June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
March 21, 2014

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

COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2013

A S S E T S

CURRENT ASSETS	
Cash	$ 1,165,740
Receivables	4,719,089
Interest receivable	30,101
Prepaid expenses	7,902
TOTAL CURRENT ASSETS	5,922,832
PLEDGES RECEIVABLE, net	47,276
INVESTMENTS	9,939,124
SPLIT INTEREST AGREEMENTS	430,818
PROPERTY AND EQUIPMENT, net	13,383,179
ASSETS RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT	
Cash	321,785
Pledges receivable, net	236,159
TOTAL ASSETS	$ 30,281,173

L I A B I L I T I E S A N D N E T A S S E T S

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 798,320
Other liabilities	275,474
Capital lease obligation, current portion	24,600
Present value of annuity payments, current portion	25,187
TOTAL CURRENT LIABILITIES	1,123,581
CAPITAL LEASE OBLIGATION, net of current portion	116,058
PRESENT VALUE OF ANNUITY PAYMENTS, net of current portion	138,102
TOTAL LIABILITIES	1,377,741
NET ASSETS	
Unrestricted	27,462,930
Temporarily restricted	1,440,502
TOTAL NET ASSETS	28,903,432
TOTAL LIABILITIES AND NET ASSETS	$ 30,281,173

See Notes to Combined Financial Statements

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

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Totals
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Contributions	$ 782,618	$ 762,915	$ 1,545,533
Bequests	4,731,470	-	4,731,470
Grants	1,987,596	-	1,987,596
Program service fees	3,270,821	-	3,270,821
Donated services, materials and facilities	287,793	-	287,793
Membership income	139,942	-	139,942
Thrift store	278,905	-	278,905
Change in value of split interest agreements, net	(66,823)	-	(66,823)
Miscellaneous	106,784	-	106,784
TOTAL PUBLIC SUPPORT	11,519,106	762,915	12,282,021
Revenues:			
Investment income	239,432	-	239,432
Realized/unrealized gains on investments	781,422	-	781,422
Other	128,863	-	128,863
TOTAL REVENUE	1,149,717	-	1,149,717
Total public support and revenue before special events and net assets released from restrictions	12,668,823	762,915	13,431,738
Special events revenue	813,107	-	813,107
Less costs of direct donor benefits	(302,252)	-	(302,252)
Gross profit from special events	510,855	-	510,855
Net assets released from restrictions	636,821	(636,821)	-
TOTAL PUBLIC SUPPORT AND REVENUE	13,816,499	126,094	13,942,593
EXPENSES AND LOSSES			
Comprehensive youth development	7,863,074	-	7,863,074
Management and general	1,028,702	-	1,028,702
Fundraising	673,304	-	673,304
Loss on uncollectible pledges	-	119,957	119,957
TOTAL EXPENSES AND LOSSES	9,565,080	119,957	9,685,037
CHANGE IN NET ASSETS	4,251,419	6,137	4,257,556
NET ASSETS, BEGINNING OF YEAR	23,211,511	1,434,365	24,645,876
NET ASSETS, END OF YEAR	$ 27,462,930	$ 1,440,502	$ 28,903,432

See Notes to Combined Financial Statements

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

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

	Program	Supporting Services		
	Comprehensive Youth Development	Management and General	Fundraising	Total
Salaries	$ 3,760,020	$ 401,839	$ 368,373	$ 4,530,232
Employee benefits	344,951	81,756	61,776	488,483
Payroll taxes	351,349	71,214	32,427	454,990
Contracted professional services	319,512	103,610	71,709	494,831
Occupancy	671,668	75,851	33,755	781,274
Contracted services/leases	852	3,570	6,076	10,498
Office supplies	34,530	24,616	4,774	63,920
Computer equipment services	22	686	686	1,394
Postage and shipping	6,569	4,904	1,506	12,979
Printing and promotions	26,876	3,726	7,509	38,111
Program supplies	923,587	-	-	923,587
Program awards and scholarships	14,132	11,913	1,044	27,089
Meetings and conferences	25,458	17,659	14,945	58,062
Travel expenses	59,000	1,542	847	61,389
Local transportation	173,809	2,888	2,495	179,192
Dues, fees, and subscriptions	35,602	18,898	8,207	62,707
Insurance	179,018	21,654	1,574	202,246
Banking and merchant fees	49,206	80,844	1,549	131,599
Interest expense	25,007	2,688	5,753	33,448
Donated services and materials	135,720	66,249	48,000	249,969
Bad debt expense	29,544	-	-	29,544
Miscellaneous expense	72,531	12,145	-	84,676
Total expenses before depreciation	7,238,963	1,008,252	673,005	8,920,220
Depreciation	624,111	20,450	299	644,860
TOTAL EXPENSES	$ 7,863,074	$ 1,028,702	$ 673,304	$ 9,565,080

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

COMBINED STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 4,257,556
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Loss on uncollectible pledges receivable	119,957
Provision for bad debts	29,544
Change in discount for pledges	(20,258)
Depreciation	644,860
Realized gains on investments	(189,307)
Unrealized gains on investments	(592,115)
Contributions of property and equipment	(37,824)
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Receivables	(4,082,382)
Interest receivable	(30,101)
Prepaid expenses	28,213
Increase (decrease) in:	
Accounts payable and accrued liabilities	8,094
Other liabilities	140,639
Present value of annuity payments	51,568
Net cash provided by operating activities	328,444
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(938,672)
Purchases of property and equipment	(160,611)
Change in restricted cash	(321,785)
Proceeds from sales of investments	914,414
Net cash used in investing activities	(506,654)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments of capital lease obligations	(19,772)
Collections on contributions restricted to investment in property and equipment	125,000
Net cash provided by financing activities	105,228
NET CHANGE IN CASH	(72,982)
CASH, BEGINNING OF YEAR	1,238,722
CASH, END OF YEAR	$ 1,165,740
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	$ 33,448
SUPPLEMENTARY DISCLOSURE OF NON CASH INVESTING ACTIVITY	
Addition of property and equipment from accrual for contingent loss	$ 175,000

See Notes to Combined Financial Statements

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

Nature of operations - ***Boys & Girls Clubs of Greater Scottsdale, Inc. and Subsidiary*** (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. On December 22, 2011, the Clubs formed Boys & Girls Clubs of Greater Scottsdale Youth, LLC (the "Subsidiary"), with the Clubs as the sole member. Boys & Girls Clubs of Greater Scottsdale Youth, LLC was formed to hold certain club assets in order to qualify for the working poor tax credit. 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, its Subsidiary and Foundation (collectively referred to herein as the "Organization") are as follows:

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.

Principles of consolidation - The combining financial statements on pages 22 and 23 of the ***Boys & Girls Clubs of Greater Scottsdale, Inc. and Subsidiary*** include the accounts of the Clubs and its wholly owned subsidiary Boys & Girls Clubs of Greater Scottsdale Youth, LLC. All significant intercompany transactions and accounts have been eliminated in consolidation.

Basis of presentation - The accompanying combined financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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.

Management's use of estimates - The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

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

Contributions and grants - The Clubs and Foundation account for contributions and grants in accordance with FASB ASC 958-605*, Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions and grants 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.

Bequests - Bequests are recognized as contribution revenue in the period the Foundation receives notification the court has found the will of the donor’s estate to be valid and all conditions have been substantially met.

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 in other liabilities at June 30, 2013 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.

(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 2013 the Organization received the following donated items:

	Used for	Amount
Services and materials	Programs	$ 249,969
Property and equipment	Programs	37,824

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 FASB 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.

Fair value measurements - FASB ASC 820, *Fair Value Measurements*, 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.

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

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. Assets reported at net asset value (NAV) using the practical expedient provisions are generally considered level 2 when the Clubs have the ability to redeem its investment at NAV or its equivalent at the measurement date or within a reasonably short period of time subsequent to the measurement date.

Level 3: Unobservable inputs for the asset or liability. Assets reported at NAV using the practical expedient provisions are generally considered level 3 when the investments will never have the ability to be redeemed at NAV or the redemption period is long-term in nature.

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 $1,000 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
Assets held under capital lease obligation	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 2013.

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 that are restricted by donors for building an additional club and improvements to other specific clubs.

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

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. Boys and Girls Clubs of Greater Scottsdale Youth, LLC is treated as a disregarded entity for income tax purposes, and accordingly, all income and expenses are passed through to the Clubs. Management does not believe the Clubs or Foundation have any UBTI for the year ended June 30, 2013.

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 Returns of Organization Exempt from Income Tax (Form 990) for fiscal 2010, 2011 and 2012 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the 2013 tax returns had not yet been filed.

Recent accounting pronouncement - In October 2012, the FASB issued Accounting Standards Update ("ASU") No. 2012-05 ("ASU 2012-05") "Statement of Cash Flows (Topic 230)". ASU 2012-05 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 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 by the not-for-profit. ASU 2012-05 is effective for the first annual period beginning after June 15, 2013. The amendments of this ASU will be applied prospectively, with early adoption permitted if the not-for-profit's financial statements for the early adoption period have not yet been made available for issuance. Retrospective application to all prior periods presented is permitted, but not required. The Clubs and Foundation are evaluating the impact of adopting ASU 2012-05, but currently believe there will be no significant impact on their combined financial statements.

In April 2013, the FASB issued ASU No. 2013-06 ("ASU 2013-06") Not-for-Profit Entities (Topic 958) Services Received from Personnel of an Affiliate. ASU 2013-06 provides revenue recognition guidance for not-for-profit entities requiring that contributed services be recognized at fair value if employees of separately governed affiliated entities regularly perform services (in other than an advisory capacity) for and under the direction of the donee. In addition, that guidance indicates that those contributed services should be recognized only if they (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and typically would need to be purchased if not provided by donation. ASU 2013-06 is effective for the first reporting period after December 15, 2013. The Clubs and Foundation are evaluating the impact of adopting ASU 2013-06, but currently believe there will be no significant impact on their combined financial statements.

Subsequent events - The Clubs and Foundation have evaluated subsequent events through March 21, 2014 which is the date the combined financial statements were available to be issued.

(2) Receivables

Receivables consist of the following at June 30, 2013:

Current receivables:	
Bequest receivable	$ 4,249,428
Operating receivables	100,985
United Way receivable	244,411
Current pledges receivable	124,265
Total current receivables	$ 4,719,089
Long-term pledges:	
Pledges receivable due in 2-5 years, net of 5% discount of $2,724	$ 47,276
Total long-term pledges	47,276
Allowance for uncollectible long-term pledges	-
Net long-term pledges	$ 47,276
Pledges held as assets restricted to investment in property and equipment:	
Pledges receivable due in less than one year	$ 212,500
Pledges receivable due in 2-5 years, net of 5% discount of $1,341	23,659
Total pledges receivable	236,159
Allowance for uncollectible pledges	-
Net pledges receivable	$ 236,159
Net receivables in total	$ 5,002,524

Included in receivables are pledges due from Board members totaling $251,900 at June 30, 2013.

Assets restricted to investment in property and equipment will enable the Clubs to expand programs and services to an additional 4000 youth, including 1000 teens. Specific projects funded by this capital campaign to date include the completion of the Administrative & Training Center, completion of a teen center at the Virginia G. Piper Club, and the expansion of technology, fine arts, and education programs within all of our Clubs. Projects to be completed in the future include construction of a new 27,000 square foot facility with a teen center and the construction of a teen center at the Thunderbirds Branch. Other funds secured as a result of this capital campaign will augment the Clubs' endowment which ultimately provided additional funds for future operations.

(3) Investments

Investments consist of the following at June 30, 2013:

Mutual funds:	
Intermediate duration – fixed income	$ 245,929
International equities	1,392,268
Global real estate equities	391,448
Mid cap	477,916
Commodity	277,400
Large cap	815,902
Small cap	373,164
Equities:	
Healthcare	311,180
Technology	407,430
Real estate	40,683
Consumer defensive	219,388
Industrials	294,528
Basic materials	99,428
Financial	261,645
Energy	201,803
Consumer cyclical	190,020
Other	9,451
Private equity instruments	1,383,530
Debt securities:	
Foreign corporations	58,563
Callable domestic corporations	548,028
Non-callable domestic corporations	301,014
Governmental-Federal Home Loan	627,230
Governmental-Other	542,333
Money market funds	899,661
Total investments	10,369,942
Investments in split interest agreements	(430,818)
Investments	$ 9,939,124

Expenses relating to investment income, including custodial fees and investment advisory fees, of $80,209 for 2013 were charged to operations.

(4) Property and equipment

Property and equipment consists of the following at June 30, 2013:

Cost or donated value:	
Land	$ 1,316,124
Buildings and leasehold improvements	16,567,479
Furniture and equipment	2,290,016
Vehicles	802,374
Assets held under capital lease obligation	160,430
Construction in progress	1,820
Total cost or donated value	21,138,243
Accumulated depreciation	(7,755,064)
Property and equipment, net	$ 13,383,179

Depreciation expense charged to operations was $644,860 for the year ended June 30, 2013.

The Organization entered into a capital lease agreement for copiers in June 2012. The cost of the assets under capital lease obligation was $160,430. Accumulated amortization on assets held under capital lease agreements totaled $32,086 at June 30, 2013.

(5) Split interest agreements

At June 30, 2013, the Clubs administered 8 charitable gift annuities. The assets contributed under the charitable gift annuities are carried at fair value. The gift annuities totaled $430,818 at June 30, 2013 and are reported in investments in split interest agreements as identified in Note 3. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using discount rates that reflect the fair value as determined at the time the annuities are established and range from 3.0% to 6.0%, and actuarial tables and guidelines used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. The present value of the estimated annuity payments associated with the charitable gift annuities is $163,289 at June 30, 2013.

(6) 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 2013 and was extended through January 2014. The line of credit was then further extended through April 17, 2014. Interest is payable monthly at the bank prime rate (3.25% at June 30, 2013), but not less than 5%. There were no amounts outstanding under the line of credit at June 30, 2013.

(7) Capital lease obligation

In June 2012, the Organization entered into a noncancelable capital lease agreement for copiers, which expires in June 2017, with an effective interest rate of 22%. Interest expense incurred for the capital lease was $33,448 for the year ended June 30, 2013. The future minimum lease payments and capital lease obligations under these capital leases as of June 30, 2013 are as follows:

Years Ending June 30,		
2014	$	53,220
2015		53,220
2016		53,220
2017		53,220
Total minimum lease payments		212,880
Less: amount representing interest		(72,222)
Present value of net minimum lease payments		140,658
Less: current maturities of capital lease obligations		(24,600)
Non-current maturities of capital lease obligations	$	116,058

(8) Unrestricted net assets

Unrestricted net assets consist of the following at June 30, 2013:

Undesignated	$	25,195,401
Board designated for long-term investments		2,000,000
Investment Committee designated for charitable gift annuity program		267,529
Total unrestricted net assets	$	27,462,930

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 Trustees of the Foundation.

(9) Temporarily restricted net assets

Temporarily restricted net assets consist of the following at June 30, 2013:

Purpose restrictions:	
Capital campaign	$ 557,944
Scholarship funds	54,416
Programs - Other	139,467
Event sponsorships	40,000
Piper Foundation – Tween programming	123,508
Back to school shopping	108,690
Time restrictions:	
United Way	244,411
Pledges	172,066
Total temporarily restricted net assets	$ 1,440,502

Net assets released from restrictions consist primarily of the passage of time restrictions and the use of funds for program support.

(10) 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 Management of Charitable Funds Act (MCFA). As the Organization does not currently have any donor-restricted endowment funds, the Act does not apply for the year ended June 30, 2013.

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, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,000,000	$ -	$ -	$ 2,000,000
Interest and dividends	44,133	-	-	44,133
Net appreciation	157,159	-	-	157,159
Appropriation of assets for expenditure	(201,292)	-	-	(201,292)
Endowment net assets, end of year	$ 2,000,000	$ -	$ -	$ 2,000,000

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.

(10) Endowments (continued)

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.

(11) Operating leases

The Clubs lease property and certain office equipment under noncancelable operating leases expiring through 2015. The minimum future rental commitments under these noncancelable operating leases (which excludes the contributed value) are as follows:

Years Ending June 30,	
2014	$ 6,963
2015	3,787
Total minimum future rental payments	$ 10,750

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.

Total rental expense under all leases with a term in excess of one month totaled $10,499 for 2013.

The Clubs also lease the land for the Virginia Piper and Administrative Center, 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. At inception of each agreement, the Clubs were required to construct new or refurbish existing buildings at the sole cost and expense of the Clubs. Upon termination of the lease, all property constructed or improvements made by the Clubs revert to each lessor at no cost to the lessor. The leases also included specific provisions granting the lessor access to and use of the constructed facilities at no cost to the lessor. The leases specifically contemplate the shared use of the facilities in exchange for the nominal cash rent payments. Based on the terms of the lease, the Clubs are required to perform annually under the agreement in an exchange of services (free rent for free use of rented space). The net value of the exchange is assessed at $0 for the year ended June 30, 2013. Effectively, no value is ascribed to the exchange nor included in the accompanying combined financial statements.

(12) Pension and 401(k) plans

The Clubs have a money purchase 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 RCM & D. The Clubs contribute 5% of actual compensation once an employee becomes eligible. After six years, the participant is fully vested. Total pension expense was $70,441 for 2013.

The Organization sponsors a 401(k) plan covering substantially all employees who have completed 12 months of service and are age twenty-one or older. The Organization matches employee contributions at a rate of 100 percent up to 2.5 percent of their pay. For the year ended June 30, 2013, the Clubs and Foundation contributed $44,226 to the Plan.

(13) 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, subsequent to June 30, 2013, have reached a tentative agreement that the Clubs will pay $175,000, based on a ten year payment schedule, to the City to settle the matter. This amount has been recorded as a liability by the Clubs and is included in accounts payable and accrued liabilities in the accompanying combined statement of financial position.

(14) Related party transactions

The Clubs received revenues from their national affiliate, The Boys and Girls Club of America, of approximately $148,000 (including $90,539 of federal funds passed through) in 2013 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 $25,316 in 2013.

(15) Fair value measurements

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, 2013:

	Level 1	Level 2	Level 3
Mutual funds:			
Intermediate duration – fixed income	$ 245,929	$ -	$ -
International equities	1,392,268	-	-
Global real estate equities	391,448	-	-
Mid cap	477,916	-	-
Commodity	277,400	-	-
Large cap	815,902	-	-
Small cap	373,164	-	-
Equities:			
Healthcare	311,180	-	-
Technology	407,430	-	-
Real estate	40,683	-	-
Consumer defensive	219,388	-	-
Industrials	294,528	-	-
Basic materials	99,428	-	-
Financial	261,645	-	-
Energy	201,803	-	-
Consumer cyclical	190,020	-	-
Other	9,451	-	-
Private equity instruments	-	1,383,530	-
Debt securities:			
Foreign corporations	-	58,563	-
Callable domestic corporations	-	548,028	-
Non-callable domestic corporations	-	301,014	-
Governmental-Federal Home Loan	-	627,230	-
Governmental-Other	-	542,333	-
Money market funds	899,661	-	-
Investments	$ 6,909,244	$ 3,460,698	$ -

The Organization adopted additional provisions of FASB ASC 820 related to investments whose fair value are reported at the net asset value ("NAV") of the investments. In accordance with FASB ASC 820, the Organization is required to disclose the nature and risks of the investments reported at NAV. The following table summarizes the nature and risk of the investments as of June 30, 2013:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited liability company interest	$ 891,276	$ -	Daily	1 day
Limited partnership interest	492,254	-	Monthly	15 days
Total	$ 1,383,530	$ -		

(15) Fair value measurements (continued)

The investment in the limited liability company interest was made in November 2011, and the value is based on the NAV of the limited liability company as calculated by the daily trading value of the underlying securities or as determined by the Board of Trustees if a daily trading value is not available. The investment strategy of this investment is to seek capital appreciation by allocating the assets among a select group of private investment funds (commonly known as hedge funds) ("Portfolio Funds") that utilize a variety of alternative investment strategies that seek to produce an attractive absolute return on invested capital, largely independent of the various benchmarks associated with traditional asset classes. The limited liability company allows for daily redemptions with a 1 day notice. There are no noted restrictions on redemptions.

The investment in the limited partnership interest was made in February 2012, and the value is based on the NAV of the limited partnership as reported by the general partner. The investment strategy of the limited partnership seeks to achieve a total return in excess of the comparable return of the Merrill Lynch High Yield Master II Index through investments in primarily non-investment grade bonds of corporate entities that First Western Capital Management Company, a Colorado corporation ("First Western") and the Partnership's general partner (the "General Partner"), believes have satisfactory fundamentals with strong industry economic trends or are within weak economic sectors that appear to have reasonably sound or improving credit characteristics. The General Partner may authorize Distributions to Partners at such times and in such amounts as the General Partner may in its discretion determine. In addition, upon giving 15 days' advance written notice to the General Partner, a Limited Partner may withdraw any portion (but less than all) of his Capital Account (excluding such Partner's allocable share of any unrealized gains and/or other unrealized appreciation), effective as of the last day of any calendar month. The General Partner may withhold from any distribution to a withdrawing Limited Partner a reserve to pay for contingent liabilities arising from events occurring during the period of time in which a withdrawing Limited Partner is a Partner in the Partnership, which reserve, or any remaining balance thereof, shall be paid to such withdrawing Limited Partner without interest upon the General Partner's determination that such reserve (or such remaining balance) is no longer required. No distribution shall be made that would have the effect of rendering the Partnership insolvent.

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

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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 Subsidiary and Boys & Girls Clubs of Greater Scottsdale Foundation*** (collectively, the "Organization") for the year ended June 30, 2013, and have issued our report thereon dated March 21, 2014, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the basic combined financial statements as a whole. The information on the schedules that follow on pages 22 and 23 is 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 entities, and is 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 entities. Such 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. The 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 combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
March 21, 2014

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

ADDITIONAL INFORMATION

June 30, 2013

COMBINING STATEMENTS OF FINANCIAL POSITION

A S S E T S

	Clubs and Subsidiary	Foundation	Eliminating Entries	Combined Balances
CURRENT ASSETS				
Cash	$ 1,165,740	$ -	$ -	$ 1,165,740
Receivables	485,506	4,409,525	(175,942)	4,719,089
Interest receivable	-	30,101	-	30,101
Prepaid expenses	7,902	-	-	7,902
TOTAL CURRENT ASSETS	1,659,148	4,439,626	(175,942)	5,922,832
PLEDGES RECEIVABLE, net	47,276	-	-	47,276
INVESTMENTS	94,542	9,844,582	-	9,939,124
SPLIT INTEREST AGREEMENTS	-	430,818	-	430,818
PROPERTY AND EQUIPMENT, net	13,382,033	1,146	-	13,383,179
ASSETS RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT				
Cash	321,785	-	-	321,785
Pledges receivable, net	236,159	-	-	236,159
TOTAL ASSETS	$ 15,740,943	$ 14,716,172	$ (175,942)	$ 30,281,173

L I A B I L I T I E S A N D N E T A S S E T S

	Clubs and Subsidiary	Foundation	Eliminating Entries	Combined Balances
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 798,079	$ 16,183	$ (15,942)	$ 798,320
Line of credit	160,000	-	(160,000)	-
Other liabilities	275,474	-	-	275,474
Capital lease obligation, current portion	24,600	-	-	24,600
Present value of annuity payments, current portion	-	25,187	-	25,187
TOTAL CURRENT LIABILITIES	1,258,153	41,370	(175,942)	1,123,581
CAPITAL LEASE OBLIGATION, net of current portion	116,058	-	-	116,058
PRESENT VALUE OF ANNUITY PAYMENTS, net of current portion	-	138,102	-	138,102
TOTAL LIABILITIES	1,374,211	179,472	(175,942)	1,377,741
NET ASSETS	14,366,732	14,536,700	-	28,903,432
TOTAL LIABILITIES AND NET ASSETS	$ 15,740,943	$ 14,716,172	$ (175,942)	$ 30,281,173

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

ADDITIONAL INFORMATION

Year Ended June 30, 2013

COMBINING STATEMENTS OF ACTIVITIES

	Clubs and Subsidiary	Foundation	Eliminating Entries	Combined Balances
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Contributions	$ 2,840,034	$ 17,254	$ (1,311,755)	$ 1,545,533
Bequests	-	4,731,470	-	4,731,470
Grants	1,987,596	-	-	1,987,596
Program membership	3,270,821	-	-	3,270,821
Donated services, materials and facilities	287,793	-	-	287,793
Membership income	139,942	-	-	139,942
Thrift store	278,905	-	-	278,905
Change in value of split interest agreements, net	-	(66,823)	-	(66,823)
Miscellaneous	106,784	-	-	106,784
TOTAL PUBLIC SUPPORT	8,911,875	4,681,901	(1,311,755)	12,282,021
Revenues:				
Investment income	3,298	245,734	(9,600)	239,432
Realized/unrealized gains on investments	1,557	779,865	-	781,422
Other	81,163	47,700	-	128,863
TOTAL REVENUES	86,018	1,073,299	(9,600)	1,149,717
Total public support and revenue before special events	8,997,893	5,755,200	(1,321,355)	13,431,738
Special events revenue	813,107	-	-	813,107
Less costs of direct donor benefits	(302,252)	-	-	(302,252)
Gross profit from special events	510,855	-	-	510,855
TOTAL PUBLIC SUPPORT AND REVENUE	9,508,748	5,755,200	(1,321,355)	13,942,593
EXPENSES AND LOSSES				
Comprehensive youth development	7,872,672	1,311,757	(1,321,355)	7,863,074
Management and general	853,219	175,483	-	1,028,702
Fundraising	648,826	24,478	-	673,304
Loss on uncollectible pledges	119,957	-	-	119,957
TOTAL EXPENSES AND LOSSES	9,494,674	1,511,718	(1,321,355)	9,685,037
CHANGE IN NET ASSETS	14,074	4,243,482	-	4,257,556
NET ASSETS, BEGINNING OF YEAR	14,352,658	10,293,218	-	24,645,876
NET ASSETS, END OF YEAR	$ 14,366,732	$ 14,536,700	$ -	$ 28,903,432