



**BOYS & GIRLS CLUBS**  
OF GREATER KANSAS CITY

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2008**  
**with**  
**Report of Independent Auditors**

**BOYS AND GIRLS CLUBS  
OF GREATER KANSAS CITY**

FINANCIAL STATEMENTS

December 31, 2008

CONTENTS

	<u>Page</u>
Report of Independent Auditors.....	1
Financial Statements:	
Statement of Financial Position .....	2
Statement of Activities and Changes in Net Assets .....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows.....	5
Notes to Financial Statements .....	6 – 16



Keller & Owens, LLC

*Certified Public Accountants*

REPORT OF INDEPENDENT AUDITORS

Board of Directors  
**Boys and Girls Clubs of Greater Kansas City**

We have audited the accompanying statement of financial position of **Boys and Girls Clubs of Greater Kansas City** as of December 31, 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Clubs' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Clubs' 2007 financial statements and, in our report dated July 31, 2008, we expressed an unqualified opinion on those financial statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Boys and Girls Clubs of Greater Kansas City** as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

September 15, 2009

**BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY**

STATEMENT OF FINANCIAL POSITION

December 31, 2008

(With comparative totals as of December 31, 2007)

	<u>ASSETS</u>	
	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and cash equivalents:		
Operating	\$ -	\$ 33,155
Designated cash	447,174	493,334
Total Cash and Cash Equivalents	447,174	526,489
Investments	617,508	726,337
Grants and accounts receivable	159,689	85,037
Unconditional promises to give, current portion		
less allowance for uncollectibles	338,487	275,487
Prepaid expenses and deposits	84,190	37,103
Total Current Assets	1,647,048	1,650,453
Cash Restricted for Capital Improvements	715,141	759,986
Long-term Unconditional Promises to Give,		
less current portion above	235,787	11,899
Beneficiary Interest in Trusts	1,337,170	1,312,557
Interest in Affiliated Entity	2,287,603	2,485,023
Property and Equipment, at cost,		
less accumulated depreciation	10,846,444	11,695,704
Total Assets	<u>\$ 17,069,193</u>	<u>\$ 17,915,622</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:		
Accounts payable and accrued expenses	\$ 485,319	\$ 706,579
Deposits	167,528	146,413
Line of credit	636,315	483,000
Current portion of long-term debt	126,952	126,425
Total Current Liabilities	1,416,114	1,462,417
Long-Term Debt, less current portion above	231,407	358,300
Total Liabilities	<u>1,647,521</u>	<u>1,820,717</u>
Net Assets:		
Unrestricted:		
Undesignated	12,369,664	13,143,605
Board designated	383,873	497,090
Total Unrestricted Net Assets	12,753,537	13,640,695
Temporarily restricted	2,661,452	2,447,527
Permanently restricted	6,683	6,683
Total Net Assets	<u>15,421,672</u>	<u>16,094,905</u>
Total Liabilities and Net Assets	<u>\$ 17,069,193</u>	<u>\$ 17,915,622</u>

*See accompanying notes*

## BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS Year Ended December 31, 2008

(With comparative totals for the year ended December 31, 2007)

	2008			2007	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Totals
Grants and Contributions	\$ 3,366,531	\$ 711,113	\$ -	\$ 4,077,644	\$ 5,063,211
Other Support and Revenue:					
Special events:					
Special event income	1,023,370	-	-	1,023,370	806,034
Special event expenses	(260,498)	-	-	(260,498)	(305,969)
Net special event income	762,872	-	-	762,872	500,065
Membership Dues and Program Service Fees	131,140	-	-	131,140	40,943
Reimbursed Expenses	142,385	-	-	142,385	133,485
Investment Income (Loss)	(116,209)	-	-	(116,209)	50,808
Equity in Earnings of Affiliated Entity	(196,420)	-	-	(196,420)	(75,095)
Other Income	101,366	-	-	101,366	154,709
Net Assets Released from Restrictions	122,188	(122,188)	-	-	-
Total Other Support and Revenue	947,322	(122,188)	-	825,134	804,915
 Total Support and Revenue	 4,313,853	 588,925	 -	 4,902,778	 5,868,126
Expenses:					
Program services	4,283,696	-	-	4,283,696	4,928,394
Supporting services:					
Fundraising	482,644	-	-	482,644	429,437
Management and general	809,671	-	-	809,671	873,882
Total Supporting Services	1,292,315	-	-	1,292,315	1,303,319
 Total Expenses	 5,576,011	 -	 -	 5,576,011	 6,231,713
Bad debt loss	-	-	-	-	47,000
Total Expenses and Losses	5,576,011	-	-	5,576,011	6,278,713
 Change in Net Assets	 (1,262,158)	 588,925	 -	 (673,233)	 (410,587)
Temporary transfer	375,000	(375,000)	-	-	-
Net Assets, Beginning of Year	13,640,695	2,447,527	6,683	16,094,905	16,505,492
Net Assets, End of Year	\$ 12,753,537	\$ 2,661,452	\$ 6,683	\$ 15,421,672	\$ 16,094,905

*See accompanying notes*

## BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2008

(With comparative totals for the year ended December 31, 2007)

	2008			2007	
	Program	Fundraising	Management and General	Total	Total
Salaries	\$ 1,953,496	\$ 244,556	\$ 394,184	\$ 2,592,236	\$ 2,982,391
Employee benefits	267,739	58,412	89,181	415,332	641,364
Professional fees	95,563	23,994	102,557	222,114	274,313
Supplies	131,965	3,977	11,693	147,635	239,883
Telephone	41,136	3,920	7,273	52,329	61,709
Postage	4,579	6,055	2,514	13,148	18,086
Occupancy	804,712	23,965	25,801	854,478	776,601
Printing and subscriptions	2,338	7,840	68	10,246	17,586
Transportation	86,743	2,185	5,720	94,648	120,189
Equipment rental/maintenance	16,197	6,119	8,453	30,769	27,460
Food and beverage	142,170	1,519	4,865	148,554	151,160
Dues and contributions	15,624	2,985	37,376	55,985	69,938
Marketing and advertising	-	6,872	-	6,872	7,069
Training	25,413	1,992	4,365	31,770	38,545
Miscellaneous	231	92	3,937	4,260	9,141
Interest	7,279	-	77,755	85,034	57,578
<b>Total Expenses Before Depreciation and Capital Campaign</b>	<b>3,595,185</b>	<b>394,483</b>	<b>775,742</b>	<b>4,765,410</b>	<b>5,493,013</b>
Capital campaign expenses	-	76,869	-	76,869	-
Depreciation	688,511	11,292	33,929	733,732	738,700
<b>Total Functional Expenses</b>	<b>\$ 4,283,696</b>	<b>\$ 482,644</b>	<b>\$ 809,671</b>	<b>\$ 5,576,011</b>	<b>\$ 6,231,713</b>

*See accompanying notes*

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2008

(With comparative totals for the year ended December 31, 2007)

	2008	2007
Cash Flows From Operating Activities:		
Change in net assets	\$ (673,233)	\$ (410,587)
Adjustments to reconcile change in net assets to net cash flows used by operating activities:		
Depreciation	733,732	738,700
Contributions restricted for capital improvements	(711,113)	(767,443)
Donated stock	(41,804)	(465,742)
Realized and unrealized loss on investments	131,322	4
Loss on disposal of fixed assets	211,658	-
Net capital campaign activity	(306,188)	504,104
Interest in affiliated entity	197,420	(371,388)
Change in operating assets and liabilities:		
Accounts and grants receivable	(74,652)	231,563
Unconditional promises to give -operations	19,300	(166,027)
Prepaid expenses and deposits	(47,087)	48,428
Beneficiary interest in trusts	(24,613)	(54,072)
Accounts payable, accrued expenses and deposits	(200,144)	203,322
Net Cash Used by Operating Activities	(785,402)	(509,138)
Cash Flows from Investing Activities:		
Change in assets for acquisition of Wagner	44,845	(759,986)
Purchase of property and equipment	(96,130)	(2,172,455)
Proceeds from sale of investments	997,684	1,458,987
Purchase of investments	(978,374)	(491,375)
Net Cash Provided (Used) by Investing Activities	(31,975)	(1,964,829)
Cash Flows from Financing Activities:		
Contributions restricted for capital improvements	711,113	767,443
Repayment of long-term debt	(126,365)	(121,169)
Proceeds from long-term debt	-	93,215
Net line of credit activity	153,314	322,243
Net Cash Provided by Financing Activities	738,062	1,061,732
Net Change in Cash and Cash Equivalents	(79,315)	(1,412,235)
Cash and Cash Equivalents, Beginning of Year	526,489	1,938,724
Cash and Cash Equivalents, End of Year	\$ 447,174	\$ 526,489

*See accompanying notes*

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization - Boys and Girls Clubs of Greater Kansas City** (the Clubs) is a Missouri not-for-profit corporation organized to promote educational, vocational, social, character and leadership development of youth. The aim is to help young people improve their lives by building self-esteem and developing values and skills during critical periods of growth. The Club's donors and program participants are mainly located in the Kansas City, Missouri metropolitan area.

**Advertising** - The Clubs expense advertising costs as they are incurred. During 2008, \$6,872 was expensed.

**Basis of Accounting** - The financial statements have been prepared on the accrual basis of accounting.

**Basis of Presentation** - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Clubs are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Board Designated Net Assets** - Board designated net assets consist primarily of reserves for membership and college scholarships for kids.

**Cash and Cash Equivalents** - For purposes of the Statement of Cash Flows, cash consists of cash, non-interest-bearing checking accounts and short-term money market investments. Cash does not include cash restricted for long term purposes such as capital improvements. Certain reclassifications have been made to the prior year to reflect this exclusion.

**Comparative Information** - The financial statements include certain prior year summarized information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Club's financial statements for the year ended December 31, 2007 from which the information is derived.

**Concentration of Risk** - The Clubs maintain its cash balance in five financial institutions located in the greater Kansas City, Missouri area and also in two local foundations. The balances held by the financial institutions are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$250,000. At December 31, 2008, the Clubs' uninsured cash balance totaled \$684,108. The investments not insured by the FDIC are subject to market risk, including loss of principal.



# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Donated Assets and Services** – Donated assets are reflected as contributions at their estimated fair market value at the date of receipt. No amounts are reflected in the financial statements for donated services. The Clubs pay for most services requiring specific expertise. A substantial number of volunteers have donated thousands of hours of their time during the years ended December 31, 2008 and 2007, which do not meet the requirements of contributions under Statement of Financial Accounting Standards No. 116, “*Accounting for Contributions Received and Contributions Made*,” and, accordingly, are not recorded in these financial statements.

**Fair Value of Financial Instruments** – The carrying amount of cash and cash equivalents approximates its fair value. The fair value of the Clubs’ investments is presented in Notes 3 and 4 and is based on quoted market prices or valuation formulas. The carrying value of grants, accounts and discounted pledges receivable, accounts payable, accrued expenses, deposits, line of credit and certain notes payable approximate fair value due to the short-term nature of these instruments. The estimated fair value of other notes payable is shown in Note 10.

**Functional Expenses** – The Clubs allocate expenses on a functional basis among the various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management’s estimate of resources devoted to the program or support service.

**Income Taxes** - The Clubs are classified as tax exempt under Section 501(c)(3) of the Internal Revenue Code and do not incur income taxes. In addition, the Clubs have been classified as a publicly-supported organization which is not a private foundation within the meaning of Section 509(a)(1) of the code.

The Clubs has elected to defer for one year the implementation of the provisions of the Financial Accounting Standards Board *FIN 48 – Accounting for Uncertain Income Tax Positions* as it might apply to the Clubs’s financial transactions. The governing body of the Clubs with its advisers periodically reviews the Clubs’s tax status and its relevant tax position and reflects their effect, if any, in the entity’s financial statements.

**Investments** - Investments in marketable securities with readily determinable fair market values and all investments in debt securities are stated at fair market value. Unrealized gains and losses are included in investment income in the accompanying statement of activities. Nonmarketable investments are recorded at cost at date of acquisition or fair value at date of donation in the case of gifts.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Permanently Restricted Net Assets** – Permanently restricted net assets consist of a single contribution of cash, the interest on which is to be used for scholarships. Amounts received during the year that are permanently restricted by donors are recorded as being permanently restricted. Earnings on permanently restricted net assets that are to be expended in accordance with the desires of donors are recorded as temporarily restricted net assets. Once expenses are incurred for their donor restricted purpose the earnings are released from restriction.

**Property and Equipment** - Property and equipment are stated at cost at the date of acquisition or fair market value at date of donation, over a nominal amount, in the case of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. Lives for depreciation are as follows:

Building and improvements	10 - 30 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 5 years

**Temporarily Restricted Net Assets** – Temporarily restricted net assets consist of time restrictions on unconditional promises to give in the amount of \$1,800,792, other contributions restricted to the capital campaign in the amount of \$684,265 and contributions restricted to the endowment fund of \$176,395. Amounts received during the year that are temporarily restricted by donors or amounts earned on temporarily restricted assets are recorded as temporarily restricted revenue. Temporarily restricted assets are released from restriction when the expenses are incurred for their designated purpose.

**Unconditional Promise to Give** – Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received.

**Use of Estimates** - The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### 2. NEW ACCOUNTING PRONOUNCEMENT

In September 2006, the FASB issued SFAS No. 157 *Fair Value Measurements* in order to establish a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. SFAS No. 157 also expands disclosures about fair value measurements. SFAS No. 157 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value. SFAS No. 157 was originally effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years with early adoption permitted.

In early 2008, the FASB issued Staff Position (FSP) FAS-157-2, "Effective Date of FASB Statement No. 157," which delays by one year, the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delay pertains to items including, but not limited to, non-financial assets and non-financial liabilities initially measured at fair value in a business combination, non-financial assets (such as real estate or donations in kind) recorded at fair value at the time of donation, and long-lived assets measured at fair value for impairment assessment under SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*.

The Clubs has adopted the portion of SFAS No. 157 that has not been delayed by FSP FAS-157-2 as of the beginning of its 2008 fiscal year, and plans to adopt the balance of its provisions as of the beginning of its 2009 fiscal year. Items carried at fair value on a recurring basis (to which SFAS No. 157 applies in 2008) consist primarily of long-term investments which are valued based on quoted prices in active or brokered markets for identical assets. The Clubs also uses fair value concepts to test various long-lived assets for impairment. The Clubs is continuing to evaluate the impact the standard will have on the determination of fair value related to non-financial assets and non-financial liabilities in post-2008 years.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### 3. FAIR VALUE MEASUREMENTS

Fair values for investments described in Note 4 are determined by reference to quoted market prices provided by pricing services. The assets of the charitable remainder trusts consist of cash and equivalents. Fair value of assets measured on a recurring basis at December 31, 2008 is as follows:

		Quoted Prices In			
	<u>Fair Value</u>	Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments	\$ 617,508	\$ 617,508	\$	-	\$ -
Contribution receivable – beneficiary interest in charitable remainder trusts	<u>1,337,170</u>	<u>1,337,170</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,954,678</u>	<u>\$ 1,954,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

### 4. INVESTMENTS

Investments at December 31, 2008 consisted of the following:

Cash and cash equivalents	\$ 2,629
Exchange traded funds	558,042
Common stock	<u>13,736</u>
Total Investments	<u>\$ 574,407</u>

Return from investments is summarized as follows:

Interest and dividends	\$ 24,920
Net realized losses	(35,143)
Net unrealized losses	(101,433)
Management fees	<u>(4,553)</u>
Total Investment Return	<u>\$ (116,209)</u>

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### 5. UNCONDITIONAL PROMISES TO GIVE

Included in unconditional promises to give are unconditional promises to give to operations and capital campaigns:

	2008	2007
Unconditional promises to give:		
Operating pledges	\$ 130,903	\$ 179,053
Capital campaign pledges	469,167	175,934
Less: Unamortized discount	(5,796)	(601)
	594,274	354,386
Less: Allowance for uncollectibles	(20,000)	(67,000)
Net unconditional promise to give	\$ 574,274	\$ 287,386

Amounts due in:

Years Ending December 31,

2009	\$ 378,237
2010	211,833
2011	10,000
Total	\$ 600,070

### 6. BENEFICIARY INTEREST IN TRUSTS

The Clubs have a remainder interest in a trust that is anticipated to be received in future years. The value was determined based on the Club's apportionment of the fair value of the assets that are held by the trust, given consideration of the anticipated date of receipt.

### 7. INTEREST IN AFFILIATED ENTITY

The Clubs have entered into a joint venture with Mt. Carmel Redevelopment Corporation (MCRC), an unrelated not-for-profit organization, to construct and operate a community center in Kansas City, Kansas. During December 2004, the Clubs formalized this venture by forming Heathwood Community Center LLC (HCC), a not-for-profit organized under Internal Revenue Code Section 501(c)(3). The operating agreement provides for each entity to maintain 50% control over the project. The Clubs have accounted for their interest in HCC under the equity method of accounting and have included the value on the statement of financial position as an interest in affiliated entity. Any inter-company transactions have been eliminated. In addition to the capital campaign being run in conjunction with HCC, the Clubs have integrated the capital campaign to include raising funds for the development of RBI baseball complexes.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### 8. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	2008	2007
Land	\$ 793,071	\$ 793,071
Buildings and improvements	16,078,536	16,463,772
Furniture and equipment	985,706	953,077
Vehicles	207,969	207,969
	18,065,282	18,417,889
Accumulated depreciation	(7,218,838)	(6,722,185)
Total Property and Equipment	\$ 10,846,444	\$ 11,695,704

The aggregate depreciation expense charged to operations for the years ended December 31, 2008 and 2007 were \$733,732 and \$738,700, respectively.

### 9. LINE OF CREDIT

Bank line of credit that has a ceiling bearing interest at ½% over the bank's prime rate which was 1.897% at December 31, 2008. The loan is unsecured. The line of credit is due in September 2009.

\$ 528,000

The Clubs also have a \$1,000,000 bank line of credit bearing interest at 2.25% plus the daily floating rate which was .35% at December 31, 2008. The loan is unsecured. The line of credit agreement runs through February 2010.

\$ 108,315

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### 10. LONG-TERM DEBT

Note bearing interest at 6.97%, payable in monthly installments of \$8,333 including interest. Final payment due September, 2011. The note is collateralized by real property.	\$ 275,000
Note bearing interest at 7.23%, payable in monthly installments of \$903 including interest. Final payment is due May, 2012. The note is collateralized by real property.	32,619
Note bearing interest at 1.9%, payable in monthly installments of \$706 including interest. Final payment is due January, 2013. The note is collateralized by the vehicle financed by this note.	40,372
Note bearing interest at 6.75%, interest and principal payments of \$980 due through November 2009 at which time any interest and remaining principal payments become due. The note is collateralized by real property.	<u>10,368</u>
Current portion of long-term debt	<u>358,359</u> <u>(126,952)</u>
Total Long-term Debt	<u>\$ 231,407</u>

Maturities on long-term debt are as follows:

<u>Years Ending December 31</u>	
2009	\$ 126,952
2010	117,347
2011	93,204
2012	12,471
2013	<u>8,385</u>
Total	<u>\$ 358,359</u>

The fair value of notes payable with due dates after 12/31/08 approximates \$365,602. The fair value is estimated by discounting future payments required by the notes using estimated market interest rates which would have been charged if the borrowing had originated as of December 31, 2008.

At December 31, 2008 the Clubs were in violation of certain financial covenants which have been waived in writing by the lender.

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### 11. ENDOWMENTS

As of December 31, 2009, the Board of Directors had designated \$383,873 of unrestricted net assets as a general endowment for membership and college scholarships for kids. Since this amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets. In addition, donors had contributed an additional \$176,395 for the same purpose. These funds are classified as temporarily restricted net assets until used for the purposes the donor stipulated.

The Clubs have a combined 5% spending policy of appropriating for distribution each year of the temporarily restricted portion of the endowment's fair value and of the board-designated unrestricted portion of the endowment's fair value. In establishing this policy, the Clubs considered the long-term expected investment return on its endowment. Accordingly, over the long-term, the Clubs expect the current spending policy to allow this endowment fund to grow at an average of 5% annually. This is consistent with the Clubs' objective to maintain the historic dollar value of the endowment assets as well as to provide additional growth through investment return.

To achieve that objective, the Clubs have adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a variety of equity mutual funds that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make the annual distributions while growing the fund if possible. The Clubs have established the following ranges by investment type: equities – 40% to 70%; fixed income – 30% to 60%; cash and equivalents – 0% to 30%; and alternative assets – 0% to 10%. The Clubs expects its endowment assets, over time, to produce an average rate of return over inflation, as measured by the Consumer Price Index, of approximately 5% annually, after fees. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocations between asset classes and strategies are managed to not expose the fund to unacceptable risks.

Composition of and changes in endowment net assets for the year ended December 31, 2008 were as follows:

	Board- Designated	Donor- Restricted
Net assets, beginning of year	\$ 497,090	\$ 229,247
Investment income, net of expenses	(8,867)	(4,077)
Net appreciation (depreciation)	(79,847)	(37,515)
Amounts appropriated for expenditure	(24,503)	(11,260)
Net assets, end of year	\$ 383,873	\$ 176,395



# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### 12. OPERATING LEASES

The Clubs lease office space and certain equipment under operating leases. Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year are as follows:

<u>Year Ending December 31,</u>	<u>Equipment</u>	<u>Office</u>	<u>Total</u>
2009	\$ 10,846	\$ 115,788	\$ 126,634
2010	10,606	-	10,606
2011	8,186	-	8,186
2012	<u>3,986</u>	<u>-</u>	<u>3,986</u>
Totals	<u>\$ 33,624</u>	<u>\$ 115,788</u>	<u>\$ 149,412</u>

The office space lease ends in December 2009. Total rental expense under operating leases with terms in excess of one month amounted to \$158,745 and \$193,041 for the years ended December 31, 2008 and 2007, respectively.

### 13. PENSION PLAN

The Clubs have a defined contribution pension plan covering substantially all full-time employees who have completed at least one year of service. The Clubs make discretionary contributions based on the participants' qualifying wages and their contributions through compensation reduction. No discretionary contributions were made in 2008. The 401K match in 2008 was \$28,991.

### 14. CASH FLOW DISCLOSURES

Designated cash includes funds that have been designated by the Board of Directors for specific uses, including operating reserves, endowment funds and other reserves.

The following is a summary of supplemental cash flow information:

	<u>2008</u>	<u>2007</u>
Cash paid for interest	<u>\$ 85,034</u>	<u>\$ 57,578</u>

# BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

### 15. SUBSEQUENT EVENT

The Clubs have entered into a pending agreement with the City of Kansas City Missouri and an investor regarding tax credits. The agreement relates to the renovation of the facility on 24<sup>th</sup> and Elmwood in Kansas City, MO.

In order to qualify for the credits, the Clubs need to bring approximately \$3,700,000 to closing. The investor would bring approximately \$1,300,000 to closing in return for approximately \$2,000,000 in tax credits. The money would come from \$1,300,000 that the Clubs have on hand collected from capital campaigns and the additional \$2,400,000 from loans the Clubs expects to receive based upon discussions with their bank. Boys and Girls Clubs of Greater KC, immediately after closing, will be allowed to be reimbursed \$1,100,000 to pay the loan down. Approximately \$400,000 will go to closing costs. The remaining \$3,500,000 will be used for the construction of the facility and operating costs for the first 3 years. The Clubs have two grants awarded in the amount of \$1,000,000 which would leave the Clubs responsible for about \$300,000 of loans plus interest that they expect to pay off with future capital campaign contributions.

In August, the City approved the Project and the tax credit transaction is scheduled to close in early October. The bank loans to fund the transaction have not yet been finalized.