



BOYS & GIRLS CLUBS
OF GREATER KANSAS CITY

FINANCIAL STATEMENTS

Year Ended December 31, 2009
with
Report of Independent Auditors

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

FINANCIAL STATEMENTS

December 31, 2009

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, 2009, 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' 2008 financial statements and, in our report dated September 15, 2009, 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, 2009, 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.

July 27, 2010

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

STATEMENT OF FINANCIAL POSITION
December 31, 2009

(With comparative totals as of December 31, 2008)

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and cash equivalents:		
Operating	\$ 58,870	\$ -
Designated cash	362,214	447,174
Total Cash and Cash Equivalents	421,084	447,174
Investments	761,287	617,508
Grants and accounts receivable	153,033	159,689
Unconditional promises to give, current portion		
less allowance for uncollectibles	422,272	338,487
Prepaid expenses and deposits	100,305	84,190
Total Current Assets	1,857,981	1,647,048
Cash Restricted for Capital Improvements	2,354,666	715,141
Long-term Unconditional Promises to Give,		
less current portion above	129,787	235,787
Beneficiary Interest in Trusts	-	1,337,170
Interest in Affiliated Entity	2,470,335	2,287,603
Property and Equipment, at cost,		
less accumulated depreciation	11,157,207	10,846,444
Total Assets	<u>\$ 17,969,976</u>	<u>\$ 17,069,193</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,011,506	\$ 485,319
Deposits	71,714	167,528
Lines of credit	561,315	636,315
Current portion of long-term debt	21,234	126,952
Total Current Liabilities	1,665,769	1,416,114
Long-Term Debt, less current portion above	52,303	231,407
Total Liabilities	1,718,072	1,647,521
Net Assets:		
Unrestricted:		
Undesignated	13,751,256	12,369,664
Board designated	423,034	383,873
Total Unrestricted Net Assets	14,174,290	12,753,537
Temporarily restricted	2,070,931	2,661,452
Permanently restricted	6,683	6,683
Total Net Assets	16,251,904	15,421,672
Total Liabilities and Net Assets	<u>\$ 17,969,976</u>	<u>\$ 17,069,193</u>

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2009

(With comparative totals for the year ended December 31, 2008)

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Totals
Grants and Contributions	\$ 3,294,055	\$ 2,229,645	\$ -	\$ 5,523,700	\$ 4,077,644
Other Support and Revenue:					
Special events:					
Special event income	796,395	-	-	796,395	1,023,370
Special event expenses	(243,997)	-	-	(243,997)	(260,498)
Net special event income	552,398	-	-	552,398	762,872
Membership Dues and Program Service Fees	132,090	-	-	132,090	131,140
Reimbursed Expenses	146,164	-	-	146,164	142,385
Investment Income (Loss)	75,001	-	-	75,001	(116,209)
Equity in Earnings of Affiliated Entity	182,732	-	-	182,732	(196,420)
Other Income	346,272	-	-	346,272	101,366
Net Assets Released from Restrictions	1,973,166	(1,973,166)	-	-	-
Total Other Support and Revenue	3,407,823	(1,973,166)	-	1,434,657	825,134
 Total Support and Revenue	 6,701,878	 256,479	 -	 6,958,357	 4,902,778
Expenses:					
Program services	4,805,481	-	-	4,805,481	4,283,696
Supporting services:					
Fundraising	492,304	-	-	492,304	482,644
Management and general	830,340	-	-	830,340	809,671
Total Supporting Services	1,322,644	-	-	1,322,644	1,292,315
Total Expenses	6,128,125	-	-	6,128,125	5,576,011
Change in Net Assets	573,753	256,479	-	830,232	(673,233)
Temporary transfer	847,000	(847,000)	-	-	-
Net Assets, Beginning of Year	12,753,537	2,661,452	6,683	15,421,672	16,094,905
Net Assets, End of Year	\$ 14,174,290	\$ 2,070,931	\$ 6,683	\$ 16,251,904	\$ 15,421,672

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2009

(With comparative totals for the year ended December 31, 2008)

	2009			2008	
	Program	Fundraising	Management and General	Total	Total
Salaries	\$ 1,849,292	\$ 266,056	\$ 415,884	\$ 2,531,232	\$ 2,592,236
Employee benefits	284,453	57,935	96,346	438,734	415,332
Professional fees	118,737	11,463	99,113	229,313	222,114
Supplies	94,320	2,698	10,131	107,149	147,635
Telephone	33,059	3,384	5,982	42,425	52,329
Postage	3,845	5,367	2,889	12,101	13,148
Occupancy	687,580	34,181	35,390	757,151	854,478
Printing and subscriptions	60	5,820	155	6,035	10,246
Transportation	90,046	3,265	7,576	100,887	94,648
Equipment rental/maintenance	22,371	3,722	12,214	38,307	30,769
Food and beverage	129,458	1,561	7,809	138,828	148,554
Dues and contributions	697,712	1,177	41,320	740,209	55,985
Marketing and advertising	90,700	4,908	-	95,608	6,872
Training	17,132	1,150	7,557	25,839	31,770
Miscellaneous	4,341	-	3,020	7,361	4,260
Interest	2,161	-	51,025	53,186	85,034
	4,125,267	402,687	796,411	5,324,365	4,765,410
Total Expenses Before Depreciation and Capital Campaign					
Capital campaign expenses	-	78,325	-	78,325	76,869
Depreciation	680,214	11,292	33,929	725,435	733,732
	\$ 4,805,481	\$ 492,304	\$ 830,340	\$ 6,128,125	\$ 5,576,011
Total Functional Expenses					

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

(With comparative totals for the year ended December 31, 2008)

	2009	2008
Cash Flows From Operating Activities:		
Change in net assets	\$ 830,232	\$ (673,233)
Adjustments to reconcile change in net assets to net cash flows provided (used) by operating activities:		
Depreciation	725,435	733,732
Contributions restricted for capital improvements	(2,229,645)	(711,113)
Donated stock	(14,909)	(41,804)
Realized and unrealized (gain) loss on investments	(57,525)	131,322
Loss on disposal of fixed assets	-	211,658
Net capital campaign activity	(83,000)	(306,188)
Interest in affiliated entity	(182,732)	197,420
Change in operating assets and liabilities:		
Accounts and grants receivable	6,656	(74,652)
Unconditional promises to give-operations	105,215	19,300
Prepaid expenses and deposits	(16,115)	(47,087)
Beneficiary interest in trusts	1,337,170	(24,613)
Accounts payable, accrued expenses and deposits	430,373	(200,144)
Net Cash Provided (Used) by Operating Activities	851,155	(785,402)
Cash Flows from Investing Activities:		
Change in assets for acquisition of Wagner	(1,639,525)	44,845
Purchase of property and equipment	(1,036,199)	(96,130)
Proceeds from sale of investments	574,059	997,684
Purchase of investments	(645,403)	(978,374)
Net Cash Used by Investing Activities	(2,747,068)	(31,975)
Cash Flows from Financing Activities:		
Contributions restricted for capital improvements	2,229,645	711,113
Repayment of long-term debt	(305,516)	(126,365)
Proceeds from long-term debt	20,694	-
Net line of credit activity	(75,000)	153,314
Net Cash Provided by Financing Activities	1,869,823	738,062
Net Change in Cash and Cash Equivalents	(26,090)	(79,315)
Cash and Cash Equivalents, Beginning of Year	447,174	526,489
Cash and Cash Equivalents, End of Year	\$ 421,084	\$ 447,174

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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 2009, \$95,608 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* (FASB ASC 958-210). 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, 2008 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, 2009, the Clubs' uninsured cash balance totaled \$2,282,989. 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, 2009

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. During the year \$90,700 was donated for advertising for events like Kids Night Out. Another \$63,641 was donated in labor by teachers working during the summer as instructors at the Club locations. In addition, a substantial number of volunteers have donated thousands of hours of their time during the years ended December 31, 2009 and 2008, which do not meet the requirements of contributions under Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, (FASB ASC 958-605) 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 2 and 3 and is based on the inputs described there. The carrying value of grants, accounts and discounted pledges receivable, accounts payable, accrued expenses, 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.

As of December 31, 2009, the Clubs have adopted provisions of the Financial Accounting Standards Board's FIN 48 – *Accounting for Uncertain Income Tax Positions* (FASB ASC 740-10) as it might apply to the Club's financial transactions. The Club's policy is to record a liability for any tax position that is beneficial to the Club, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2009 and, accordingly, no liability has been accrued.

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, 2009

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

Subsequent Events - Management has evaluated events and transactions that have occurred since December 31, 2009 and reflected their effects, if any, in these financial statements through July 27, 2010, the date the financial statements were available to be issued.

Temporarily Restricted Net Assets – Temporarily restricted net assets consist of time restrictions on unconditional promises to give in the amount of \$550,084, other contributions restricted to the capital campaign in the amount of \$1,326,456 and contributions restricted to the endowment fund of \$194,391. 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, 2009

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

Effective January 1, 2008, the Clubs have adopted the provisions of FASB Statement No. 157 *Fair Value Measurements* (FASB ASC 820-10), for financial assets and liabilities measured at fair value on a recurring basis. Effective January 1, 2009, the Clubs adopted FASB Statement No. 157 *Fair Value Measurements* (FASB ASC 820-10), for non-financial assets and liabilities measured initially at fair value such as in a business combination, non-financial assets (such as inventory or donations-in-kind) recorded at fair value at the time of donation, and long-lived assets measured at fair value for impairment assessment.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level with the fair value hierarchy at which the Club's financial assets and liabilities are measured on a recurring basis at December 31, 2009:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	\$ 761,287	\$ 94,513	\$ 617,425	\$ 49,349
Total Assets	<u>\$ 761,287</u>	<u>\$ 94,513</u>	<u>\$ 617,425</u>	<u>\$ 49,349</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS December 31, 2009

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) include investments with a community foundation:

January 1, 2009	\$ 43,101
Total gains or losses (realized/unrealized)	7,938
Grants Approved	(2,706)
Net investment income/fees	<u>1,016</u>
December 31, 2009	<u>\$ 49,349</u>

The amount of total gains or losses for the year ended December 31, 2009 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date were not readily available and considered by management to be immaterial.

Gains and losses (realized and unrealized) included in unrestricted net assets for the year are reported in investment income is \$7,938.

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Fair value for the beneficial interest in community foundation (Level 3) is based upon the stated fair value obtained from the community foundation. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

3. INVESTMENTS

Investments at December 31, 2009 consisted of the following:

Cash and cash equivalents	\$ 84,106
Exchange traded funds	613,005
Fixed income securities	19,191
Common stock	<u>44,985</u>
Total Investments	<u>\$ 761,287</u>

Return from investments is summarized as follows:

Interest and dividends	\$ 21,335
Net realized gains	4,130
Net unrealized gains	53,395
Management fees	<u>(3,859)</u>
Total Investment Return	<u>\$ 75,001</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS December 31, 2009

4. UNCONDITIONAL PROMISES TO GIVE

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

	2009	2008
Unconditional promises to give:		
Operating pledges	\$ 25,688	\$ 130,903
Capital campaign pledges	550,084	469,167
Less: Unamortized discount	(3,713)	(5,796)
	572,059	594,274
Less: Allowance for uncollectibles	(20,000)	(20,000)
Net unconditional promise to give	\$ 552,059	\$ 574,274

Amounts due in:

Years Ending December 31,

2010	\$ 442,272
2011	121,000
2012	10,000
2013	2,500
Total	\$ 575,772

5. BENEFICIARY INTEREST IN TRUSTS

The Clubs had a remainder interest in a trust that was liquidated in the current period. The value at the end of the prior year was determined based on the Club's apportionment of the fair value of the assets that were held by the trust. In 2008 the Club valued their remainder interest to be \$1,337,170. In 2009 the Club received payments totaling \$1,333,549.

6. 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, 2009

7. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	2009	2008
Land	\$ 793,071	\$ 793,071
Buildings and improvements	16,018,431	15,984,474
Furniture and equipment	991,356	985,706
Vehicles	156,440	207,969
	17,959,298	17,971,220
Accumulated depreciation	(7,872,051)	(7,218,838)
	10,087,247	10,752,382
Construction in progress	1,069,960	94,062
Total Property and Equipment	\$ 11,157,207	\$ 10,846,444

The aggregate depreciation expense charged to operations for the years ended December 31, 2009 and 2008 were \$725,435 and \$733,732, respectively.

8. LINES OF CREDIT

The Clubs have a \$600,000 bank line of credit that has a ceiling bearing interest at 3% over the bank's BBA LIBOR daily float which was .23% at December 31, 2009. The loan is unsecured. The line of credit is due in September 2010.

\$ 482,000

The Clubs also have a \$1,000,000 bank line of credit bearing interest at 3% plus the daily floating rate which was .23% at December 31, 2009. The loan is unsecured. The line of credit agreement runs through September 2010.

\$ 79,315

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

9. LONG-TERM DEBT

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 vehicle.	\$ 23,880
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.	31,757
Note bearing interest at 1.88%, interest and principal payments of \$389 due through March, 2014 at which time any interest and remaining principal payments become due. The note is collateralized by the vehicle financed by this note.	<u>17,900</u>
	73,537
Current portion of long-term debt	<u>(21,234)</u>
Total Long-term Debt	<u>\$ 52,303</u>

Maturities on long-term debt are as follows:

<u>Years Ending December 31</u>	
2010	\$ 21,234
2011	22,282
2012	16,830
2013	12,031
2014	<u>1,160</u>
Total	<u>\$ 73,537</u>

The fair value of long term debt approximates carrying value based on similar available terms.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

10. ENDOWMENTS

The Board of Directors of Clubs have interpreted the Missouri Uniform State Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Clubs classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the organization and the donor-restricted endowment fund.
3. General economic conditions
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the organization.
7. The investment policies of the organization.

As of December 31, 2009, the Board of Directors had designated \$423,034 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 \$194,391 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.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

10. ENDOWMENTS (continued)

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 expect 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, 2009 were as follows:

	Board- Designated	Donor- Restricted
Net assets, beginning of year	\$ 383,873	\$ 176,395
Investment income, net of expenses	21,199	9,926
Net appreciation (depreciation)	39,954	17,950
Amounts appropriated for expenditure	(21,992)	(9,880)
Net assets, end of year	\$ 423,034	\$ 194,391

11. 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:

Year Ending December 31,	Equipment	Office	Total
2010	\$ 29,062	\$ 106,188	\$ 135,250
2011	26,642	106,188	132,830
2012	22,442	106,188	128,630
2013	18,456	106,188	124,644
2014	18,456	106,188	124,644
Totals	\$ 115,058	\$ 530,940	\$ 645,998

The equipment lease and the office lease both end in December, 2014. Total rental expense under operating leases with terms in excess of one month amounted to \$143,926 and \$158,745 for the years ended December 31, 2009 and 2008, respectively.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

12. 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 2009. The 401K match in 2009 was \$16,632.

13. 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>2009</u>	<u>2008</u>
Cash paid for interest	<u>\$ 55,230</u>	<u>\$ 85,034</u>

14. SUBSEQUENT EVENT

On December 8, 2009, Boys and Girls Clubs New Markets, Inc. was incorporated. This new entity is a Missouri not-for-profit organization, tax exempt under 501(c)(3) of the Internal Revenue Code and controlled by the Clubs. In 2009, there were no transactions other than the incorporation; therefore there are no consolidating entries to make to the current year financial statements. In February, 2010, the Clubs transferred three buildings to this new entity and also loaned the entity approximately \$3,700,000. A bank also loaned this entity approximately \$1,300,000. The new entity was created for the purpose of obtaining tax credits from a program administered by the City of Kansas City, Missouri. In 2010, the entities will be included in consolidated financial statements and all intercompany transactions between the Clubs and Boys and Girls Clubs New Markets, Inc. will be eliminated.