



BOYS & GIRLS CLUBS
OF GREATER KANSAS CITY

FINANCIAL STATEMENTS

Year Ended December 31, 2013
with
Independent Auditors' Report

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

FINANCIAL STATEMENTS

December 31, 2013

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors

Boys & Girls Clubs of Greater Kansas City

We have audited the accompanying consolidated financial statements of **Boys & Girls Clubs of Greater Kansas City** (the Clubs) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

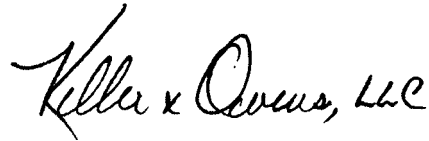
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Boys & Girls Clubs of Greater Kansas City** as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the **Boys & Girls Clubs of Greater Kansas City's** 2012 financial statements, and in our report dated September 25, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Kella x Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
August 7, 2014

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION December 31, 2013

(With comparative totals as of December 31, 2012)

ASSETS

	2013	2012
Current Assets:		
Cash and cash equivalents:		
Operating	\$ 476,256	\$ 602,874
Designated cash	58,764	82,268
Total Cash and Cash Equivalents	535,020	685,142
Certificates of deposit, at cost	214,165	213,747
Operating pledges current	74,826	-
Investments	1,333,977	785,548
Grants and accounts receivable	260,706	263,102
Note receivable - KCMO Investment Fund	3,726,000	3,726,000
Unconditional promises to give, current portion less allowance for uncollectibles	426,595	328,802
Prepaid expenses and deposits	58,426	99,641
Total Current Assets	6,629,715	6,101,982
Cash Restricted for Capital Improvements	1,483,408	438,799
Long-term Unconditional Promises to Give, less current portion above	198,652	172,339
Interest in Affiliated Entity	2,466,929	2,561,528
Property and Equipment, at cost, less accumulated depreciation	11,651,372	12,210,689
Total Assets	\$ 22,430,076	\$ 21,485,337

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 628,022	\$ 457,743
Deposits	170,342	256,495
Current portion of long-term debt	16,280	18,965
Total Current Liabilities	814,644	733,203
Long-Term Debt - New Markets	4,900,000	4,900,000
Long-Term Debt - other, less current portion above	40,749	56,634
Total Long-Term Liabilities	4,940,749	4,956,634
Total Liabilities	5,755,393	5,689,837
Net Assets:		
Unrestricted:		
Undesignated	13,041,877	13,845,394
Board designated	782,205	746,812
Total Unrestricted Net Assets	13,824,082	14,592,206
Temporarily restricted	2,843,918	1,196,611
Permanently restricted	6,683	6,683
Total Net Assets	16,674,683	15,795,500
Total Liabilities and Net Assets	\$ 22,430,076	\$ 21,485,337

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS Year Ended December 31, 2013

(With comparative totals for the year ended December 31, 2012)

	2013			Totals	2012 Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Grants and Contributions	\$ 4,023,179	\$ 1,939,935	\$ -	\$ 5,963,114	\$ 5,363,791
Other Support and Revenue:					
Special events:					
Special event income	1,532,857	-	-	1,532,857	1,146,465
Special event expenses	(441,726)	-	-	(441,726)	(411,224)
Net special event income	1,091,131	-	-	1,091,131	735,241
Membership dues and program service fees	52,901	-	-	52,901	83,540
Rental income	175,953	-	-	175,953	155,663
Investment return	113,471	33,766	-	147,237	68,921
Equity in earnings of affiliated entity	(94,599)	-	-	(94,599)	(95,916)
Summer school	543,922	-	-	543,922	255,000
Other income	312,964	-	-	312,964	354,551
Net assets released from restrictions	326,394	(326,394)	-	-	-
Total Other Support and Revenue	<u>2,522,137</u>	<u>(292,628)</u>	<u>-</u>	<u>2,229,509</u>	<u>1,557,000</u>
Total Support and Revenue	6,545,316	1,647,307	-	8,192,623	6,920,791
Expenses:					
Program services	5,675,998	-	-	5,675,998	5,077,715
Supporting services:					
Fundraising	733,335	-	-	733,335	627,835
Management and general	904,107	-	-	904,107	880,292
Total Supporting Services	<u>1,637,442</u>	<u>-</u>	<u>-</u>	<u>1,637,442</u>	<u>1,508,127</u>
Total Expenses	<u>7,313,440</u>	<u>-</u>	<u>-</u>	<u>7,313,440</u>	<u>6,585,842</u>
Change in Net Assets	(768,124)	1,647,307	-	879,183	334,949
Net Assets, Beginning of Year	<u>14,592,206</u>	<u>1,196,611</u>	<u>6,683</u>	<u>15,795,500</u>	<u>15,460,551</u>
Net Assets, End of Year	<u>\$ 13,824,082</u>	<u>\$ 2,843,918</u>	<u>\$ 6,683</u>	<u>\$ 16,674,683</u>	<u>\$ 15,795,500</u>

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

(With comparative totals for the year ended December 31, 2012)

	2013			Total	2012
	Program	Fundraising	Management and General		
Salaries	\$ 2,472,108	\$ 460,666	\$ 393,400	\$ 3,326,174	\$ 2,841,231
Employee benefits	442,771	113,678	105,158	661,607	561,277
Professional fees	149,960	8,278	150,601	308,839	310,640
Supplies	385,253	7,122	25,772	418,147	440,014
Telephone	59,390	9,912	7,463	76,765	71,424
Postage	3,820	5,861	1,276	10,957	13,253
Occupancy	821,104	46,828	24,235	892,167	829,395
Printing and subscriptions	4,322	11,671	2,036	18,029	26,753
Transportation	78,540	7,626	6,980	93,146	88,257
Equipment rental/maintenance	22,235	3,606	1,759	27,600	26,075
Food and beverage	196,824	1,905	8,886	207,615	176,084
Dues and contributions	187,289	9,821	31,986	229,096	163,719
Bank fees	-	-	67,997	67,997	78,395
Marketing and advertising	43,853	6,740	-	50,593	72,860
Training	28,389	6,477	10,450	45,316	35,435
Miscellaneous	16,574	-	303	16,877	4,276
Interest, fees and credit card interest	1,247	-	32,661	33,908	24,645
	4,913,679	700,191	870,963	6,484,833	5,763,733
Total Expenses Before Depreciation					
Depreciation	762,319	33,144	33,144	828,607	822,109
	\$ 5,675,998	\$ 733,335	\$ 904,107	\$ 7,313,440	\$ 6,585,842
Total Functional Expenses					

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

(With comparative totals for the year ended December 31, 2012)

	2013	2012
Cash Flows From Operating Activities:		
Change in net assets	\$ 879,183	\$ 334,949
Adjustments to reconcile change in net assets to net cash flows (used) provided by operating activities:		
Depreciation	828,607	822,109
Contributions restricted for capital improvements	(1,939,935)	(1,172,989)
Donated vehicle	-	(31,125)
Donated stock	(512,347)	(230,873)
Realized and unrealized gain on investments	(133,682)	(54,547)
Operating pledges - current	(74,826)	-
Operating pledges - Olathe	35,927	-
Interest in affiliated entity	94,599	95,916
Change in operating assets and liabilities:		
Accounts and grants receivable	2,396	82,665
Prepaid expenses and deposits	41,215	(58,792)
Accounts payable, accrued expenses and deposits	(35,710)	256,278
Net Cash (Used) Provided by Operating Activities	(814,573)	43,591
Cash Flows from Investing Activities:		
Net capital campaign activity	(160,033)	(440,591)
Net change in certificates of deposit, at cost	(418)	(822)
Change in assets for acquisition of Wagner	(1,044,609)	18,887
Purchase of property and equipment	(149,454)	(886,834)
Proceeds from sale of investments	1,285,468	706,092
Purchase of investments	(1,187,868)	(475,027)
Net Cash Used by Investing Activities	(1,256,914)	(1,078,295)
Cash Flows from Financing Activities:		
Contributions restricted for capital improvements	1,939,935	1,172,989
Repayment of long-term debt	(18,570)	(20,559)
Net Cash Provided by Financing Activities	1,921,365	1,152,430
Net Change in Cash and Cash Equivalents	(150,122)	117,726
Cash and Cash Equivalents, Beginning of Year	685,142	567,416
Cash and Cash Equivalents, End of Year	\$ 535,020	\$ 685,142

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS December 31, 2013

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 Clubs' donors and program participants are mainly located in the Kansas City, Missouri metropolitan area.

Boys and Girls Clubs New Markets, Inc. (the Markets) was formed under the laws of Missouri on December 8, 2009, to meet the necessary structuring requirements to enter into a transaction intended to qualify for the New Markets Tax Credit, as outlined in Internal Revenue Code (IRC) Section 45D.

Advertising - The Clubs expense advertising costs as they are incurred. During 2013, \$50,593 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 ("FASB") in FASB ASC 958-210. Under FASB ASC 958-210, 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 specific uses, including operating reserves, endowment funds and other reserves.

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.

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 Clubs' financial statements for the year ended December 31, 2012 from which the information is derived.

Concentration of Risk - The Clubs maintain their cash balances in four financial institutions located in the greater Kansas City, Missouri area. These balances are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$250,000 at December 31, 2013. At times during the year some of the Clubs balances exceed federally insured limits. The Clubs have not experienced any losses in these accounts in the past, and management believes the Clubs are not exposed to significant credit risks as they periodically evaluate the strength of the financial institutions in which the Clubs deposits funds.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

Contributions - The Clubs follow the accounting principles under FASB ASC 958-605. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support and investment income that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the income is recognized. All other 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, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Assets and Services – Donated assets are reflected as contributions at their estimated fair market value at the date of receipt. During the year, \$55,000 of advertising, \$89,618 of equipment and supplies, \$9,000 of printing, website development valued at \$23,568, supplies and other miscellaneous non-cash donations of \$266,768 were donated. Five stock donations were received during the year with fair market values at the date of the gifts totaling \$512,347. In addition, a substantial number of volunteers have donated thousands of hours of their time during the years ended December 31, 2013 and 2012, which do not meet the requirements of contributions under Statement of Financial Accounting Standards FASB ASC 958-605 and, accordingly, are not recorded in these financial statements.

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 have adopted FASB ASC 740-10 as it might apply to the Clubs' financial transactions. The Clubs' policy is to record a liability for any tax position that is beneficial to the Clubs, 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, 2013 and, accordingly, no liability has been accrued. However, in general, tax years for the three prior years remain subject to IRS examination.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value. Unrealized gains and losses are included in investment income in the accompanying statement of activities.

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.

Principles of Consolidation - The consolidated statements of the **Clubs** and the **Markets** are prepared in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profits related by common control. All material intercompany balances and transactions have been eliminated in consolidation.

Property and Equipment - Property and equipment are stated at cost at the date of acquisition or fair 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

Reclassifications – Certain accounts in the prior-year comparative financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Subsequent Events - Management has evaluated events and transactions that have occurred since December 31, 2013 and reflected their effects, if any, in these financial statements through August 7, 2014, the date the financial statements were available to be issued.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

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.

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

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.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

The following table sets forth information about the level within the fair value hierarchy at which the Clubs' financial assets and liabilities are measured on a recurring basis at December 31, 2013:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:			
Investments:			
Cash and cash equivalents	\$ 481,077	\$ 480,982	\$ 95
Equities:			
Domestic	619,693	584,638	35,055
Fixed Income:			
Domestic	233,207	210,602	22,605
Total Assets, recurring basis	\$ 1,333,977	\$ 1,276,222	\$ 57,755

The following table sets forth information about the level within the fair value hierarchy at which the Clubs' financial assets and liabilities are measured on a recurring basis at December 31, 2012:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:			
Investments:			
Cash and cash equivalents	\$ 5,809	\$ 5,723	\$ 86
Equities:			
Domestic	574,314	542,732	31,582
Fixed Income:			
Domestic	205,425	184,784	20,641
Total Assets, recurring basis	\$ 785,548	\$ 733,239	\$ 52,309

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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:

December 31, 2011	\$	49,207
Total gains or losses (realized/unrealized)		4,835
Grants approved		(2,516)
Net investment income/fees		783
December 31, 2012		52,309
Total gains or losses (realized/unrealized)		7,532
Grants approved		(2,564)
Net investment income/fees		478
December 31, 2013	\$	57,755

The amount of total gains or losses for the year ended December 31, 2013 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date is \$(2,739).

Gains and losses (realized and unrealized) for 2013 included in unrestricted net assets for the year are reported in investment return as \$7,532.

Fair value for the beneficial interest in community foundation (Level 3) is based upon the stated fair value obtained from the community foundation.

3. INVESTMENTS

Investments at December 31 consisted of the following:

	2013	2012
Exchange traded funds	\$ 619,693	\$ 548,657
Cash and cash equivalents	481,077	5,809
Fixed income securities	233,207	205,425
Common stock	-	25,657
Total Investments	\$ 1,333,977	\$ 785,548

Return from investments is summarized as follows:

Interest and dividends	\$ 18,524	\$ 19,581
Net realized gains	68,805	385
Net unrealized gains	64,877	54,162
Management fees	(4,969)	(5,207)
Total Investment Return	\$ 147,237	\$ 68,921

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

4. UNCONDITIONAL PROMISES TO GIVE

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

	2013	2012
Unconditional promises to give:		
Capital campaign pledges	\$ 639,595	\$ 503,802
Less: Unamortized discount	14,348	2,661
	625,247	501,141
Less: Allowance for uncollectibles	-	-
Net unconditional promise to give	\$ 625,247	\$ 501,141

Amounts due in:

Years Ending December 31,

2014	426,595
2015	100,000
2016	60,000
2017	53,000
Total	\$ 639,595

5. 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 J & D Wagner Facility.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

6. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	2013	2012
Buildings and improvements	\$ 20,283,367	\$ 20,225,956
Furniture and equipment	1,244,619	1,221,320
Vehicles	<u>261,586</u>	<u>210,542</u>
	21,789,572	21,657,818
Accumulated depreciation	<u>(11,068,806)</u>	<u>(10,240,199)</u>
	10,720,766	11,417,619
Land	793,070	793,070
Construction in progress	<u>137,536</u>	<u>-</u>
Total Property and Equipment	<u>\$ 11,651,372</u>	<u>\$ 12,210,689</u>

The aggregate depreciation expense charged to operations for the years ended December 31, 2013 and 2012 was \$828,607 and \$822,109, respectively.

7. LINE OF CREDIT

The Clubs have a \$500,000 bank line of credit that has a variable rate of interest based on the UMB prime rate. The interest rate at December 31, 2013 was 3.25%. The line of credit was renewed in April, 2013 as a revolving line of credit that is due on demand. The loan is secured by the endowment assets.

\$ - \$ -

8. LONG-TERM DEBT

Note bearing interest at 1.39%, payable in quarterly installments of \$12,914, interest only through February, 2017 at which time principal and interest payments of \$36,092 per quarter will be due. The loan matures on February 19, 2045. The loan is collateralized by property owned by the Clubs (*Leslie property, East 43rd property and Elmwood property). The Clubs were not in compliance with a covenant to supply audited financial statements to the lender within a specified time period after year-end. The lender has waived the requirement for this year.

\$ 3,726,000 \$ 3,726,000

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

8. LONG-TERM DEBT (continued)

	2013	2012
<p>Note bearing interest at 1.39%, payable in quarterly installments of \$4,069, interest only until February, 2017 at which time quarterly interest and principal payments of \$11,371 will be due. The loan matures on February 19, 2045. The loan is collateralized by property owned by the Clubs*. The Clubs were not in compliance with a covenant to supply audited financial statements to the lender within a specified time period after year-end. The lender has waived that requirement for this year.</p>	1,174,000	1,174,000
<p>Note bearing interest at 4.2%, payable in monthly installments of \$587 including interest. Final payment is due October, 2017. The note is collateralized by the vehicle financed by this note.</p>	24,899	30,763
<p>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.</p>	1,158	5,652
<p>Note bearing interest at 4.0%, interest and principal payments of \$380 due through June 2017 at which time any interest and remaining principal payments become due. The note is collateralized by the vehicle financed by this note.</p>	14,826	18,698
<p>Note bearing interest at 5.0%, interest and principal payments of \$472 due through January, 2017 at which time any interest and remaining principal payments become due. The note is collateralized by the vehicle financed by this note. The Clubs were not in compliance with a covenant to supply audited financial statements to the lender within a specified time period after year-end. The lender has waived that requirement for this year.</p>	16,146	20,486

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

8. LONG-TERM DEBT (continued)

	2013	2012
Current portion of long-term debt	\$ 4,957,029 <u>(16,280)</u>	\$ 4,975,599 <u>(18,965)</u>
Total Long-term Debt	<u>\$ 4,940,749</u>	<u>\$ 4,956,634</u>

Maturities on long-term debt are as follows:

Years Ending December 31	
2014	\$ 16,280
2015	15,803
2016	16,514
2017	100,190
2018	123,837
Thereafter	<u>4,684,405</u>
Total	<u>\$ 4,957,029</u>

9. ENDOWMENTS

The Board of Directors of the 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.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

9. ENDOWMENTS (continued)

As of December 31, 2013, the Board of Directors had designated \$509,276 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 \$290,438 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 – 15% to 60%; cash and equivalents – 0% to 30%; and alternative assets – 0% to 15%. 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, 2013 were as follows:

	<u>Board- Designated</u>	<u>Donor- Restricted</u>
Net assets, beginning of year	\$ 450,798	\$ 256,671
Contributions	-	3,500
Investment income	11,484	5,945
Net appreciation	88,418	45,762
Fees and disbursement amounts appropriated for expenditure	<u>(41,424)</u>	<u>(21,440)</u>
Net assets, end of year	<u>\$ 509,276</u>	<u>\$ 290,438</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

9. ENDOWMENTS (continued)

Composition of and changes in endowment net assets for the year ended December 31, 2012 were as follows:

	Board- Designated	Donor- Restricted
Net assets, beginning of year	\$ 426,790	\$ 226,273
Contributions	-	9,000
Investment income	9,669	8,617
Net appreciation	34,201	30,485
Fees and disbursement amounts appropriated for expenditure	(19,862)	(17,704)
Net assets, end of year	\$ 450,798	\$ 256,671

10. 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>
2014	\$ 18,456	\$ 115,324	\$ 133,780
Totals	\$ 18,456	\$ 115,324	\$ 133,780

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 \$140,459 and \$142,139 for the years ended December 31, 2013 and 2012, respectively.

11. 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 2013. The 401(K) match was \$64,689 and \$56,197 for the years ending December 31, 2013 and 2012, respectively.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

12. CASH FLOW DISCLOSURES

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

	2013	2012
The following is the supplemental disclosure to the statement of cash flows:		
Cash paid for interest	<u>\$ 3,650</u>	<u>\$ 7,661</u>
Property and equipment acquired using accounts payable	<u>\$ 119,836</u>	<u>\$ 34,484</u>

The following is a summary of non-cash investing and financing activities:

Property and equipment acquired using debt	<u>\$ -</u>	<u>\$ 20,600</u>
--	-------------	------------------

13. NEW MARKETS TAX CREDIT

In 2010, **Boys and Girls Clubs New Markets, Inc.** obtained financing through the New Market Tax Credit (NMTC) program. The proceeds of \$4,900,000 were used to rehabilitate property owned by the Clubs. The NMTC financing is provided through two loans, an "A" loan and a "B" loan. Loan A, in the amount of \$3,726,000 is at a fixed rate of 1.38639% per annum and requires quarterly interest payments of \$12,914 until February, 2017 at which time quarterly principal and interest payments of \$36,092 will be due with a maturity date of February 19, 2045. No prepayment is allowed during the first seven years. Loan B, in the amount of \$1,174,000 is at a fixed rate of 1.38639% per annum and requires quarterly interest payments of \$4,069 until February, 2017 at which time quarterly principal and interest payments of \$11,371 will be due with a maturity date of February 19, 2045. No prepayment is allowed during the first seven years.

In addition, the Clubs loaned KCMO Investment Fund I, LLC \$3,726,000 which was used as the investment into KCMO CDE I, LLC which is the Community Development Entity that loaned the funds to **Boys and Girls Clubs New Markets, Inc.** The loan term is 30 years at a rate of 1.96833% and requires quarterly principal and interest payments to the Clubs of \$46,214. This loan along with a \$1,306,500 capital investment from U.S. Bancorp Community Development Corporation funded KCMO Investment Fund I, LLC.

At the end of the seven-year term, a put/call agreement may be exercised whereby U.S. Bancorp Community Development Corporation's interest is sold to the Clubs.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

14. RESTRICTED NET ASSETS

Restricted net assets consist of the following for the year ended December 31, 2013:

	<u>2013</u>	<u>2012</u>
<u>Temporarily restricted net assets</u>		
Endowment funds	\$ 660,437	\$ 256,671
Campaign funds	<u>1,483,408</u>	<u>438,799</u>
Total purpose restrictions	2,143,845	695,470
Pledges receivable restricted for future periods	<u>700,073</u>	<u>501,141</u>
Total time restrictions	<u>700,073</u>	<u>501,141</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,843,918</u>	<u>\$ 1,196,611</u>
<u>Permanently restricted net assets</u>		
Endowment funds	<u>\$ 6,683</u>	<u>\$ 6,683</u>

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows for the year ended December 31, 2013.

Funds restricted for Independence unit project	\$ 52,184	\$ 751,284
Funds restricted for vehicles	51,044	-
Funds restricted for salary and operating	<u>223,166</u>	<u>-</u>
Net Assets Released from Restrictions	<u>\$ 326,394</u>	<u>\$ 751,284</u>

15. COMMITMENTS

On October 10, 2013, the Clubs entered into a construction agreement to remodel the Leslie facility. The estimated cost of the project is \$1,533,485. They broke ground in November of 2013 and recorded \$137,536 in construction in progress as of December 31, 2013. They have incurred \$1,355,135 of additional costs through August 7, 2014. As of August 7, 2014, the Clubs have \$1,492,671 in their construction in progress accounts.

SUPPLEMENTAL INFORMATION



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors

Boys and Girls Clubs of Greater Kansas City

We have audited the consolidated financial statements of **Boys and Girls Clubs of Greater Kansas City** as of and for the year ended December 31, 2013, and have issued our report thereon dated August 7, 2014, which contained an unmodified opinion on those financial statements and appears on pages 1 – 2. We have previously issued our opinion dated September 25, 2013 on the 2012 financial statements and supplemental information. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating statements on pages 22 – 24 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Overland Park, KS

August 7, 2014

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION December 31, 2013

(With comparative totals as of December 31, 2012)

	<u>ASSETS</u>				
	2013				
	Boys & Girls Clubs of Greater Kansas City	Boys & Girls Clubs New Markets Inc.	Eliminations	Total	2012
Current Assets:					
Cash and cash equivalents:					
Operating	\$ 475,734	\$ 522	\$ -	\$ 476,256	\$ 602,874
Designated cash	58,764	-	-	58,764	82,268
Total Cash and Cash Equivalents	534,498	522	-	535,020	685,142
Certificates of deposit, at cost	214,165	-	-	214,165	213,747
Operating pledges current	74,826	-	-	74,826	-
Investments	1,333,977	-	-	1,333,977	785,548
Grants and accounts receivable	260,706	-	-	260,706	263,102
Note receivable - KCMO Investment Fund	3,726,000	-	-	3,726,000	3,726,000
Unconditional promises to give, current portion					
less allowance for uncollectibles	426,595	-	-	426,595	328,802
Prepaid expenses and deposits	58,426	-	-	58,426	99,641
 Total Current Assets	 6,629,193	 522	 -	 6,629,715	 6,101,982
Cash Restricted for Capital Improvements	1,483,408	-	-	1,483,408	438,799
Long-term Unconditional Promises to Give,					
less current portion above	198,652	-	-	198,652	172,339
Interest in Affiliated Entity	2,466,929	-	-	2,466,929	2,561,528
Property and Equipment, at cost,					
less accumulated depreciation	3,005,041	8,646,331	-	11,651,372	12,210,689
 Total Assets	 <u>\$ 13,783,223</u>	 <u>\$ 8,646,853</u>	 <u>\$ -</u>	 <u>\$ 22,430,076</u>	 <u>\$ 21,485,337</u>
 <u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 628,022	\$ -	\$ -	\$ 628,022	\$ 457,743
Deposits	170,342	-	-	170,342	256,495
Current portion of long-term debt	16,280	-	-	16,280	18,965
 Total Current Liabilities	 814,644	 -	 -	 814,644	 733,203
Long-Term Debt - New Markets	-	4,900,000	-	4,900,000	4,900,000
Long-Term Debt - other, less current portion above	40,749	-	-	40,749	56,634
 Total Long-Term Liabilities	 40,749	 4,900,000	 -	 4,940,749	 4,956,634
 Total Liabilities	 855,393	 4,900,000	 -	 5,755,393	 5,689,837
Net Assets:					
Unrestricted:					
Undesignated	9,295,024	3,746,853	-	13,041,877	13,845,394
Board designated	782,205	-	-	782,205	746,812
Total Unrestricted Net Assets	10,077,229	3,746,853	-	13,824,082	14,592,206
Temporarily restricted	2,843,918	-	-	2,843,918	1,196,611
Permanently restricted	6,683	-	-	6,683	6,683
 Total Net Assets	 12,927,830	 3,746,853	 -	 16,674,683	 15,795,500
 Total Liabilities and Net Assets	 <u>\$ 13,783,223</u>	 <u>\$ 8,646,853</u>	 <u>\$ -</u>	 <u>\$ 22,430,076</u>	 <u>\$ 21,485,337</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS Year Ended December 31, 2013

(With comparative totals for the year ended December 31, 2012)

	2013				2012
	Boys & Girls Clubs of Greater Kansas City	Boys & Girls Clubs New Markets, Inc.	Eliminations	Totals	
Grants and Contributions	\$ 5,963,114	\$ 60,000	\$ (60,000)	\$ 5,963,114	\$ 5,363,791
Other Support and Revenue:					
Special events:					
Special event income	1,532,857	-	-	1,532,857	1,146,465
Special event expenses	(441,726)	-	-	(441,726)	(411,224)
Net special event income	1,091,131	-	-	1,091,131	735,241
Membership dues and program service fees	52,901	-	-	52,901	83,540
Rental income	175,953	-	-	175,953	155,663
Investment return	147,234	3	-	147,237	68,921
Equity in earnings of affiliated entity	(94,599)	-	-	(94,599)	(95,916)
Summer school	543,922	-	-	543,922	255,000
Other income	312,964	-	-	312,964	354,551
Total Other Support and Revenue	<u>2,229,506</u>	<u>3</u>	<u>-</u>	<u>2,229,509</u>	<u>1,557,000</u>
Total Support and Revenue	8,192,620	60,003	(60,000)	8,192,623	6,920,791
Expenses:					
Program services	5,324,029	411,969	(60,000)	5,675,998	5,077,715
Supporting services:					
Fundraising	715,312	18,023	-	733,335	627,835
Management and general	812,399	91,708	-	904,107	880,292
Total Supporting Services	<u>1,527,711</u>	<u>109,731</u>	<u>-</u>	<u>1,637,442</u>	<u>1,508,127</u>
Total Expenses	<u>6,851,740</u>	<u>521,700</u>	<u>(60,000)</u>	<u>7,313,440</u>	<u>6,585,842</u>
Change in Net Assets	1,340,880	(461,697)	-	879,183	334,949
Net Assets, Beginning of Year	<u>11,586,950</u>	<u>4,208,550</u>	<u>-</u>	<u>15,795,500</u>	<u>15,460,551</u>
Net Assets, End of Year	<u>\$ 12,927,830</u>	<u>\$ 3,746,853</u>	<u>\$ -</u>	<u>\$ 16,674,683</u>	<u>\$ 15,795,500</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATING STATEMENT OF CASH FLOWS Year Ended December 31, 2013

(With comparative totals for the year ended December 31, 2012)

	2013				2012
	Boys & Girls Clubs of Greater Kansas City	Boys & Girls Clubs New Markets Inc.	Eliminations	Total	
Cash Flows From Operating Activities:					
Change in net assets	\$ 1,340,880	\$ (461,697)	\$ -	\$ 879,183	\$ 334,949
Adjustments to reconcile change in net assets to net cash flows (used) provided by operating activities:					
Depreciation	387,405	441,202	-	828,607	822,109
Contributions restricted for capital improvements	(1,939,935)	-	-	(1,939,935)	(1,172,989)
Donated vehicle	-	-	-	-	(31,125)
Donated stock	(512,347)	-	-	(512,347)	(230,873)
Realized and unrealized gain on investments	(133,682)	-	-	(133,682)	(54,547)
Operating pledges - current	(74,826)	-	-	(74,826)	-
Operating pledges - Olathe	35,927	-	-	35,927	-
Interest in affiliated entity	94,599	-	-	94,599	95,916
Change in operating assets and liabilities:					
Accounts and grants receivable	2,396	-	-	2,396	82,665
Prepaid expenses and deposits	41,215	-	-	41,215	(58,792)
Accounts payable, accrued expenses and deposits	(35,710)	-	-	(35,710)	256,278
Net Cash (Used) Provided by Operating Activities	<u>(794,078)</u>	<u>(20,495)</u>	<u>-</u>	<u>(814,573)</u>	<u>43,591</u>
Cash Flows from Investing Activities:					
Net capital campaign activity	(160,033)	-	-	(160,033)	(440,591)
Net change in certificates of deposit, at cost	(418)	-	-	(418)	(822)
Change in assets for acquisition of Wagner	(1,044,609)	-	-	(1,044,609)	18,887
Purchase of property and equipment	(149,454)	-	-	(149,454)	(886,834)
Proceeds from sale of investments	1,285,468	-	-	1,285,468	706,092
Purchase of investments	(1,187,868)	-	-	(1,187,868)	(475,027)
Net Cash Used by Investing Activities	<u>(1,256,914)</u>	<u>-</u>	<u>-</u>	<u>(1,256,914)</u>	<u>(1,078,295)</u>
Cash Flows from Financing Activities:					
Contributions restricted for capital improvements	1,939,935	-	-	1,939,935	1,172,989
Repayment of long-term debt	(18,570)	-	-	(18,570)	(20,559)
Net Cash Provided by Financing Activities	<u>1,921,365</u>	<u>-</u>	<u>-</u>	<u>1,921,365</u>	<u>1,152,430</u>
Net Change in Cash and Cash Equivalents	<u>(129,627)</u>	<u>(20,495)</u>	<u>-</u>	<u>(150,122)</u>	<u>117,726</u>
Cash and Cash Equivalents, Beginning of Year	<u>664,125</u>	<u>21,017</u>	<u>-</u>	<u>685,142</u>	<u>567,416</u>
Cash and Cash Equivalents, End of Year	<u>\$ 534,498</u>	<u>\$ 522</u>	<u>\$ -</u>	<u>\$ 535,020</u>	<u>\$ 685,142</u>