

**BOYS & GIRLS CLUBS OF PALM BEACH
COUNTY, INC. AND AFFILIATE
REPORT ON AUDITS OF CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010**

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

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Independent Auditor's Report

To the Boards of Directors
Boys & Girls Clubs of Palm Beach County, Inc. and
Boys & Girls Clubs Foundation, Inc.

We have audited the accompanying consolidated statements of financial position of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliate (non-profit organizations) as of September 30, 2011 and 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliate as of September 30, 2011 and 2010, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011 on our consideration of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliate's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Boys and Girls Clubs of Palm Beach County, Inc. and Affiliate taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of 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.

Templeton & Company, LLP

West Palm Beach, Florida
December 21, 2011

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and 2010

ASSETS	2011	2010
Current assets:		
Cash and cash equivalents	\$ 1,935,928	\$ 3,094,791
Portfolio investments	2,853,048	3,137,964
Accounts receivable, net	743,597	850,851
Current portion of unconditional promises to give, net	181,626	831,102
Prepaid expenses	181,802	160,861
Total current assets	5,896,001	8,075,569
Property and equipment, net	11,581,909	7,693,459
Unconditional promises to give, net of current portion	1,568,782	1,575,963
Other assets	57,562	54,793
Total assets	\$ 19,104,254	\$ 17,399,784
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 213,062	\$ 50,000
Accounts payable and accrued expenses	659,969	677,508
Construction costs and retainage payable	990,019	421,534
Deferred revenue	517,797	384,657
Total current liabilities	2,380,847	1,533,699
Net assets:		
Unrestricted	10,310,726	7,095,791
Temporarily restricted	3,906,075	6,513,688
Permanently restricted	2,506,606	2,256,606
Total net assets	16,723,407	15,866,085
Total liabilities and net assets	\$ 19,104,254	\$ 17,399,784

See accompanying notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENTS OF ACTIVITIES

	For the Year Ended September 30, 2011				For the Year Ended September 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions and grants	\$ 1,176,800	\$ 2,078,031	\$ 250,000	\$ 3,504,831	\$ 1,468,791	\$ 4,069,371	-	\$ 5,538,162
Federal, state and local government grants	3,564,154	-	-	3,564,154	4,008,108	-	-	4,008,108
Special events, net	1,028,456	-	-	1,028,456	866,380	-	-	866,380
Program revenue	692,971	-	-	692,971	586,165	-	-	586,165
Snack bar and vending, net	25,736	-	-	25,736	29,098	-	-	29,098
Donated facilities and goods	3,153,171	-	-	3,153,171	1,906,710	-	-	1,906,710
Other income (loss), net	(22,650)	-	-	(22,650)	(51,574)	-	-	(51,574)
Net assets released from restrictions	4,671,119	(4,671,119)	-	-	3,083,172	(3,083,172)	-	-
Total support and revenue	14,289,757	(2,593,088)	250,000	11,946,669	11,896,850	986,199	-	12,883,049
Expenses:								
Program services:								
Character and leadership development	652,025	-	-	652,025	563,568	-	-	563,568
Education and career development	2,390,750	-	-	2,390,750	2,100,431	-	-	2,100,431
Sports, fitness and recreation	4,564,162	-	-	4,564,162	3,945,000	-	-	3,945,000
Health and life skills	869,367	-	-	869,367	751,428	-	-	751,428
Cultural arts	1,195,375	-	-	1,195,375	1,033,215	-	-	1,033,215
Total program services	9,671,679	-	-	9,671,679	8,393,642	-	-	8,393,642
Supporting services:								
Management and general	652,025	-	-	652,025	563,570	-	-	563,570
Fund raising	682,120	-	-	682,120	571,701	11,004	-	582,705
Total expenses	11,005,824	-	-	11,005,824	9,528,913	11,004	-	9,539,917
Increase (decrease) in net assets before non-operating activities	3,283,933	(2,593,088)	250,000	940,845	2,367,937	975,195	-	3,343,132
Net investment return (loss)	(26,355)	(14,525)	-	(40,880)	-	247,940	-	247,940
Interest expense	(11,750)	-	-	(11,750)	(13,301)	-	-	(13,301)
Loss on disposal of property and equipment	(30,893)	-	-	(30,893)	-	-	-	-
Increase (decrease) in net assets	3,214,935	(2,607,613)	250,000	857,322	2,354,636	1,223,135	-	3,577,771
Net assets - beginning of year	7,095,791	6,513,688	2,256,606	15,866,085	4,741,155	5,290,553	2,256,606	12,288,314
Net assets - end of year	\$ 10,310,726	\$ 3,906,075	\$ 2,506,606	\$ 16,723,407	\$ 7,095,791	\$ 6,513,688	\$ 2,256,606	\$15,866,085

See accompanying notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2011

	Program Services					Supporting Services		Total Expenses
	Character and Leadership Development	Education and Career Development	Sports, Fitness and Recreation	Health and Life Skills	Cultural Arts	Management and General	Fund Raising	
Marketing and public relations	\$ 1,683	\$ 6,172	\$ 11,784	\$ 2,244	\$ 3,086	\$ 1,683	\$ 1,403	\$ 28,055
Conferences and staff training	2,222	8,149	15,556	2,963	4,074	2,222	1,852	37,038
Core programs	26,036	95,464	182,249	34,714	47,732	26,036	21,696	433,927
Employee benefits	20,857	76,477	146,002	27,810	38,239	20,857	17,381	347,623
Equipment leasing and maintenance	8,540	31,313	59,780	11,387	15,657	8,540	7,117	142,334
Insurance	10,589	38,826	74,122	14,119	19,413	10,589	8,824	176,482
Building maintenance	20,255	74,267	141,782	27,006	37,133	20,255	16,879	337,577
In-kind:								
Free use of facilities:								
Rent, Belle Glade schools	73,394	269,111	513,758	97,859	134,556	73,394	61,162	1,223,234
Rent, all other locations	20,309	74,466	142,163	27,079	37,233	20,309	16,924	338,483
Utilities	3,240	11,880	22,680	4,320	5,940	3,240	2,700	54,000
Food program	94,008	344,696	658,056	125,344	172,348	94,008	78,340	1,566,800
Supplies and office expenses	6,309	23,132	44,162	8,412	11,566	6,309	5,257	105,147
Organizational dues	2,165	7,939	15,156	2,887	3,969	2,165	1,804	36,085
Payroll taxes	25,104	92,047	175,727	33,472	46,024	25,104	20,920	418,398
Planning and resource development	415	1,522	2,906	554	761	415	346	6,919
Postage and shipping	651	2,386	4,554	868	1,193	651	542	10,845
Professional fees	5,993	21,973	41,948	7,990	10,986	5,993	4,994	99,877
Salaries and casual labor	255,507	936,861	1,788,552	340,677	468,430	255,507	212,923	4,258,457
Recruitment	2,157	7,909	15,098	2,876	3,954	2,157	1,797	35,948
Dues and subscriptions	308	1,129	2,156	411	565	308	257	5,134
Telephone	5,214	19,117	36,496	6,952	9,558	5,214	4,345	86,896
Utilities	12,625	46,290	88,372	16,833	23,145	12,625	10,521	210,411
Vehicle	17,587	64,485	123,108	23,449	32,243	17,587	14,656	293,115
Enhancement activities	2,634	9,656	18,435	3,511	4,828	2,946	57,880	99,890
Bad debts	19,955	73,169	139,687	26,607	36,585	19,643	99,710	415,356
Total expenses before depreciation	637,757	2,338,436	4,464,289	850,344	1,169,218	637,757	670,230	10,768,031
Depreciation	14,268	52,314	99,873	19,023	26,157	14,268	11,890	237,793
Total expenses	<u>\$ 652,025</u>	<u>\$ 2,390,750</u>	<u>\$ 4,564,162</u>	<u>\$ 869,367</u>	<u>\$ 1,195,375</u>	<u>\$ 652,025</u>	<u>\$ 682,120</u>	<u>\$ 11,005,824</u>

See accompanying notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC.
AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2010**

	Program Services					Supporting Services		Total Expenses
	Character and Leadership Development	Education and Career Development	Sports, Fitness and Recreation	Health and Life Skills	Cultural Arts	Management and General	Fund Raising	
Marketing and public relations	\$ 813	\$ 2,988	\$ 5,705	\$ 1,087	\$ 1,494	\$ 815	\$ 679	\$ 13,581
Conferences and staff training	2,559	9,381	17,910	3,411	4,691	2,559	2,132	42,643
Core programs	27,306	100,124	191,145	36,409	50,062	27,306	22,755	455,107
Employee benefits	28,653	105,062	200,573	38,204	52,531	28,653	23,878	477,554
Equipment leasing and maintenance	10,243	37,557	71,700	13,657	18,779	10,243	8,536	170,715
Insurance	10,587	38,821	74,112	14,117	19,410	10,587	8,823	176,457
Building maintenance	14,124	51,787	98,866	18,832	25,893	14,124	11,770	235,396
In-kind:								
Free use of facilities:								
Rent, Belle Glade schools	73,394	269,111	513,758	97,859	134,556	73,394	61,162	1,223,234
Rent, all other locations	20,372	74,699	142,607	27,163	37,350	20,372	16,977	339,540
Utilities	3,240	11,880	22,680	4,320	5,940	3,240	2,700	54,000
Food program	19,200	70,400	134,400	25,600	35,200	19,200	16,000	320,000
Supplies and office expenses	5,283	19,370	36,978	7,044	9,685	5,283	4,402	88,045
Organizational dues	2,151	7,889	15,060	2,869	3,944	2,151	1,793	35,857
Payroll taxes	26,104	95,715	182,729	34,805	47,857	26,104	21,753	435,067
Planning and resource development	920	3,373	6,439	1,226	1,686	920	767	15,331
Postage and shipping	699	2,563	4,893	932	1,282	699	583	11,651
Professional fees	6,275	23,008	43,924	8,366	11,504	6,275	5,229	104,581
Salaries and casual labor	263,308	965,463	1,843,157	351,078	482,732	263,308	219,424	4,388,470
Recruitment	1,895	6,948	13,264	2,526	3,474	1,895	1,579	31,581
Dues and subscriptions	233	855	1,632	311	427	233	194	3,885
Telephone	5,129	18,807	35,904	6,839	9,403	5,129	4,274	85,485
Utilities	11,893	43,608	83,251	15,857	21,804	11,893	9,911	198,217
Vehicle	14,315	52,490	100,208	19,087	26,245	14,315	11,930	238,590
Enhancement activities	2,501	9,170	17,506	3,334	4,585	2,813	32,064	71,973
Bad debts	312	35,146	2,187	417	573	-	83,341	121,976
Total expenses before depreciation	551,509	2,056,215	3,860,588	735,350	1,011,107	551,511	572,656	9,338,936
Depreciation	12,059	44,216	84,412	16,078	22,108	12,059	10,049	200,981
Total expenses	\$ 563,568	\$ 2,100,431	\$ 3,945,000	\$ 751,428	\$ 1,033,215	\$ 563,570	\$ 582,705	\$ 9,539,917

See accompanying notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC.
AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Years Ended September 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 857,322	\$ 3,577,771
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	237,793	200,981
Loss on disposal of property and equipment	30,893	-
In-kind contribution of property	-	(286,024)
Realized and unrealized (gains) losses on portfolio investments, net	161,964	(131,037)
(Increase) decrease in operating assets:		
Unconditional promises to give, net	656,657	(1,083,849)
Accounts receivable	107,254	(59,835)
Prepaid expenses	(20,941)	(46,909)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(17,539)	147,990
Deferred revenue	133,140	(120,663)
Net cash provided by operating activities	<u>2,146,543</u>	<u>2,198,425</u>
Cash flows from investing activities:		
Proceeds from sales of portfolio investments, net	122,952	764,136
Purchases of property and equipment	(3,588,651)	(2,913,134)
Increase in other assets	(2,769)	(16,016)
Net cash used in investing activities	<u>(3,468,468)</u>	<u>(2,165,014)</u>
Cash flows from financing activities:		
Proceeds from (repayment of) line of credit, net	163,062	(175,000)
Net decrease in cash and cash equivalents	(1,158,863)	(141,589)
Cash and cash equivalents, beginning of year	<u>3,094,791</u>	<u>3,236,380</u>
Cash and cash equivalents, end of year	<u>\$ 1,935,928</u>	<u>\$ 3,094,791</u>
Interest paid	<u>\$ 11,750</u>	<u>\$ 13,301</u>

See accompanying notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of activities

The Boys & Girls Clubs of Palm Beach County, Inc. (the Club) is a not-for-profit organization which provides educational, athletic and social services to children and teenagers throughout Palm Beach County. The Club's affiliate, and Boys & Girls Clubs Foundation, Inc. (the Foundation) is a not-for-profit organization organized to solicit, accept and administer funds and property donated to the Foundation in order to ensure, in perpetuity, the financial stability of the Boys & Girls Clubs of Palm Beach County, Inc. The Organization encompasses both the Club and the Foundation.

The Organization has a long-standing commitment to meeting the needs of members and the general community through five broad program classifications:

Character and leadership development – Nurturing and guiding youthful potential and developing a moral compass through programs, volunteerism and community projects.

Education and career development – Programs such as daily homework help, literacy programs and employability skills training, stress a positive attitude to learning and encourage vocational competence.

Sports, fitness and recreation – Athletic leagues, individual sports and social competence programs build sportsmanship and teamwork and encourage constructive use of leisure time.

Health and life skills – Comprehensive health programs teach nutrition, fitness and personal hygiene, as well as conflict resolution and substance abuse prevention, as part of a healthy lifestyle.

Cultural arts – Developing and nurturing untapped artistic talent through fine arts instruction, photography workshops and the performing arts.

A summary of the significant accounting policies used to prepare the accompanying consolidated financial statements follows:

Basis of presentation

The consolidated financial statements are prepared on the accrual basis of accounting and in accordance with the provisions of FASB ASC 958-605-05, *Accounting for Contributions Received and Contributions Made*, and FASB ASC 958-205-05, *Financial Statements of Not-for-Profit Organizations*.

FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as contributions at fair value at the date the promises are received.

Under FASB ASC 958-205, net assets and revenue, expenses, gains and losses are classified as temporarily restricted, permanently restricted, or unrestricted based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Unrestricted net assets – Net assets available for the support of the Organization's operations. The unrestricted net assets may be used at the discretion of the Organization's management and the Boards of Directors.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Basis of presentation, continued

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the earnings on related investments for general or specific purposes.

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. The expirations of temporary donor-imposed restrictions on net assets are reported as reclassifications to unrestricted net assets in the period in which the restriction expires. A restriction expires when the stipulated time period has elapsed and/or the stipulated purpose has been fulfilled. Unrestricted net assets are presently available for use by the Organization at the discretion of the Boards of Directors.

Principles of consolidation

The Organization's consolidated financial statements include the accounts of the Boys & Girls Clubs of Palm Beach County, Inc. and the Boys & Girls Clubs Foundation, Inc., for which the Club has both control and economic interest, as defined in FASB ASC 958-810-15 *Reporting of Related Entities by Not-for-Profit Organizations*. All significant intercompany accounts and transactions have been eliminated in consolidation.

Contributions and grants

Contributions and grants, including unconditional promises (pledges) to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash are reported at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. Amounts pledged are recorded as contributions of permanently restricted net assets, if designated by the donors as such, or temporarily restricted net assets until donor restrictions are met.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Contributions and grants, continued

The Organization reports non-cash contributions as unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue recognition

Program revenue is recognized as revenue in the period in which the related services commence. Fees collected prior to the commencement of the program are recognized as deferred revenue.

Special events revenue is recognized as revenue at the time of the event. Amounts received prior to the event are reported as deferred revenue.

The Organization receives various grants from federal, state, local and private agencies for program and supporting service expenses. These grants are generally on a cost reimbursement basis, including recoverable overhead. Revenue from grants is deemed earned and recognized in the consolidated statements of activities when expenditures are made for the purposes specified. Grant funds that have been received but have not yet been expended for the purposes specified are reported as deferred revenue.

Donated facilities, goods, and services

Donated facilities and goods are recorded at their fair value and are reflected as contributions in the accompanying consolidated financial statements. Time donated by volunteers is not recorded in the consolidated financial statements as these services do not require specialized skills or create or enhance nonfinancial assets and do not meet the recognition criteria in accordance with GAAP.

Donated facilities and goods consist of the following for the years ended September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Use of recreational facilities, Belle Glade Schools	\$ 1,223,234	\$ 1,223,234
Use of recreational facilities, DeGeorge Club	164,100	164,100
Use of other facilities	131,500	131,500
Amortization of discount	13,538	13,877
Utilities	54,000	54,000
Food	<u>1,566,800</u>	<u>320,000</u>
	<u>\$ 3,153,171</u>	<u>\$ 1,906,710</u>

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, continued

Cash and cash equivalents

Cash and cash equivalents include demand deposit and money market accounts, and other highly liquid investments with an original or remaining maturity of three months or less when purchased.

Portfolio investments

Portfolio investments include marketable equity securities, debt securities and public mutual funds that trade at net asset value. Marketable equity and debt securities are carried at fair values based on quoted market prices.

Investment income and realized gains and losses on portfolio investments are recognized upon realization. Unrealized gains and losses are recognized based on changes in fair values during the period. Net investment returns are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

Portfolio investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain portfolio investments, it is at least reasonably possible that changes in values of portfolio investments will occur in the near term.

Accounts receivable

Accounts receivable is stated at the amount of the uncollected balances less any allowance for doubtful accounts. Management provides an allowance based on past experience and adverse situations that may affect collectibility. As of September 30, 2011 and 2010, the allowance for doubtful accounts was \$164,452 and \$194,980, respectively.

Property and equipment

Property and equipment is stated at cost or, if donated, at approximate fair value at the date of donation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. These estimated useful lives are summarized in the following table:

Building and leasehold improvements	10-39 years
Swimming pool	31 years
Vehicles	5 years
Equipment and furniture	3-10 years

Functional expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases as determined by management.

Income taxes

The Club and the Foundation were granted tax-exempt status under Internal Revenue Code (IRC) Section 501(c)(3). Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements. The Club and Foundation are required to operate in conformity with the provisions of the IRC to maintain their exempt status.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, continued

Income taxes, continued

Management analyzes tax positions in jurisdictions where it is required to file income tax returns. Based on its evaluation, management did not identify any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease. Interest and penalties attributable to income taxes, if any, are included in operating expenses. No such interest or penalties were recorded for the years 2011 or 2010.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts appearing in the 2010 consolidated financial statements have been reclassified to conform with the 2011 presentation.

Note 2 – Portfolio Investments

A summary of portfolio investments, by investment type, at September 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Marketable equity securities	\$ 669,199	\$ 1,184,199
U.S. government debt obligations	102,585	52,516
Debt securities	1,222,790	1,699,497
Mutual funds	<u>858,474</u>	<u>201,752</u>
	<u>\$ 2,853,048</u>	<u>\$ 3,137,964</u>

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 2 – Portfolio Investments, Continued

Net investment return (loss) is comprised of the following for the years September 30, 2011 and 2010:

	For the Year Ended September 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 25	\$ 37,607	\$ 71,084	\$ 108,716
Realized and unrealized losses	<u>-</u>	<u>(62,415)</u>	<u>(57,058)</u>	<u>(131,841)</u>
Subtotal	25	(24,808)	14,026	(10,757)
Transfers between classes	(25,701)	22,523	3,178	-
Less investment expenses	<u>(679)</u>	<u>(12,240)</u>	<u>(17,204)</u>	<u>(30,123)</u>
Total net investment loss	<u>\$ (26,355)</u>	<u>\$ (14,525)</u>	<u>\$ -</u>	<u>\$ (40,880)</u>

	For the Year Ended September 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 4,155	\$ 101,017	\$ 11,731	\$ 116,903
Realized and unrealized gains	<u>15,015</u>	<u>130,901</u>	<u>23,569</u>	<u>169,485</u>
Subtotal	19,170	231,918	35,300	286,388
Transfers between classes	(18,760)	42,405	(23,645)	-
Less investment expenses	<u>(410)</u>	<u>(26,383)</u>	<u>(11,655)</u>	<u>(38,448)</u>
Total net investment return	<u>\$ -</u>	<u>\$ 247,940</u>	<u>\$ -</u>	<u>\$ 247,940</u>

Note 3 – Fair Value Measurements

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Assets and liabilities with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of assets and liabilities included in Level 1 includes listed equities and listed debt instruments and derivatives.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 3 – Fair Value Measurements, Continued

Level 2 – Pricing inputs are other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models and other valuation methodologies.

Level 3 – Pricing inputs are unobservable and significant to the overall fair value measurement.

The carrying amounts of the Organization’s financial instruments, including cash and cash equivalents, accounts receivable, unconditional promises to give, and liabilities are expected to approximate fair value.

The following table summarizes the Organization’s portfolio investments reported at fair value based on the valuation methodology applied by the Organization as of September 30, 2011 and 2010:

<u>Category</u>	<u>September 30, 2011</u>	
	<u>Amount</u>	<u>Level</u>
Marketable equity securities	\$ 669,199	Level 1
U.S. government debt obligations	105,585	Level 1
Debt securities	1,222,790	Level 1
Mutual funds	858,474	Level 1
	<u>\$ 2,853,048</u>	

<u>Category</u>	<u>September 30, 2010</u>	
	<u>Amount</u>	<u>Level</u>
Marketable equity securities	\$ 1,184,199	Level 1
U.S. government debt obligations	52,516	Level 1
Debt securities	1,699,497	Level 1
Mutual funds	201,752	Level 1
	<u>\$ 3,137,964</u>	

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 4 – Unconditional Promises to Give

Unconditional promises to give as of September 30, 2011 and 2010 are detailed as follows:

	2011	2010
Capital campaign pledges	\$ 1,478,679	\$ 2,337,982
Endowment pledge	200,000	-
Free use of facilities pledge, net	232,995	274,995
Unconditional promises to give before unamortized discount and allowances for uncollectables	1,911,674	2,612,977
Less: unamortized discount	(85,763)	(135,712)
Subtotal	1,825,911	2,477,265
Less: allowance for uncollectible pledges	(75,503)	(70,200)
Net unconditional promises to give	\$ 1,750,408	\$ 2,407,065
Current portion of unconditional promises to give	\$ 181,626	\$ 2,131,102
Non-current portion of unconditional promises to give	1,568,782	275,963
	\$ 1,750,408	\$ 2,407,065
Amounts due in:		
Less than one year	\$ 257,129	\$ 2,201,302
One to five years	1,631,550	346,680
After five years	22,995	64,995
Total	\$ 1,911,674	\$ 2,612,977

The Organization applies a discount rate range of 7.75% to 8% to its pledges with terms in excess of one year.

During 2011, the Organization evaluated the collectability of certain capital campaign pledges and recorded an impairment charge of approximately \$250,000 for pledges that were deemed to be uncollectable.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 5 – Property and Equipment

Property and equipment as of September 30, 2011 and 2010, consists of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 336,024	\$ 336,024
Building and leasehold improvements	7,506,156	4,149,813
Swimming pool	141,602	141,602
Vehicles	647,179	647,179
Equipment and furniture	<u>726,199</u>	<u>612,582</u>
	9,357,160	5,887,200
Less: accumulated depreciation	<u>(2,384,899)</u>	<u>(2,291,446)</u>
Subtotal	6,972,261	3,595,754
Construction in progress	<u>4,609,648</u>	<u>4,097,705</u>
Property and equipment, net	<u>\$ 11,581,909</u>	<u>\$ 7,693,459</u>

Construction in progress relates to construction and planning costs at Club locations in Delray Beach, Wellington, Riviera Beach, and West Palm Beach, Florida. During 2010, the Club received land from a donor in an in-kind contribution with an estimated fair value of \$286,024.

Note 6 – Line of Credit

The Organization has an unsecured line of credit agreement which provides for borrowings up to \$300,000. The agreement requires monthly interest payments at a variable rate (5% at September 30, 2011) and expires in August 2012. Outstanding borrowings as of September 30, 2011 amounted to \$213,062.

Note 7 – 401(k) Safe Harbor Plan

The Organization maintains a Safe Harbor 401(k) profit sharing plan covering certain qualified employees in accordance with the provisions of Section 401(k) of the Internal Revenue Code. Under the plan, employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits.

The Organization may make a safe harbor non-elective contribution in an amount equal to 3% of the eligible employee's compensation, which will be allocated to all eligible employees. The Organization may also make profit-sharing contributions at its discretion which will be allocated as defined by the plan among all eligible employees. The Organization's contributions totaled \$135,097 and \$183,630 for the years ended September 30, 2011 and 2010, respectively.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 8 – Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of September 30, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Club:		
United Way allocation for next year	\$ 150,000	\$ 114,480
Future free use of facilities	196,595	225,052
Tollerton – Hood Youth Enterprise Club	114,672	121,173
Warsaw Scholarship Fund	145,208	153,455
West Palm Beach Land Grant	286,024	286,024
Foundation:		
Capital campaigns	1,353,813	2,182,008
Club buildings	<u>1,659,763</u>	<u>3,431,496</u>
	<u>\$ 3,906,075</u>	<u>\$ 6,513,688</u>

Permanently restricted net assets as of September 30, 2011 and 2010 represent an endowment which was established for the DeGeorge Club.

Note 9 – Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. Net assets were released from donor restrictions by incurring expenditures satisfying the purpose or time restrictions specified by donors during years ended September 30, 2011 and 2010, as follows:

	<u>2011</u>	<u>2010</u>
Club:		
Time restrictions expired on United Way allocations	\$ 164,480	\$ 166,966
Time restrictions expired on free use of facilities	42,000	42,000
Foundation:		
Purpose restriction met for:		
Capital campaign	<u>4,464,639</u>	<u>2,874,206</u>
	<u>\$ 4,671,119</u>	<u>\$ 3,083,172</u>

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 10 – Endowment

The Organization's endowment is established for the purposes expressed in the Organization's charter: long-term expansion, growth and capital needs and to generate income for operational support as determined by the Foundation's Board of Directors consistent with donor intent. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

As of September 30, 2011, the State of Florida has approved the adoption of the Prudent Management Institutional Funds Act (PMIFA) which requires 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. PMIFA will be enacted for years ending after July 1, 2012.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no such funds with material deficiencies as of September 30, 2011.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to achieve maximum rates of return for long-term investments based on adequate diversification and consistent with a portfolio risk level appropriate for reasonable security of permanently restricted funds.

Strategies employed to achieve objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified allocation primarily consisting of equities and fixed income securities to achieve its long-term return objectives within prudent risk constraints.

Changes in endowment net assets for the years ended September 30, 2011 and 2010 are presented as follows:

	For the Year Ended September 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of October 1, 2010	\$ -	\$ -	\$ 2,256,606	\$ 2,256,606
Investment loss:				
Investment income	-	71,084	-	71,084
Net depreciation (realized and unrealized)	-	(72,642)	-	(72,642)
Total investment (loss)	-	(1,558)	-	(1,558)
Transfer of endowment earnings	(1,558)	1,558	-	-
Contributions	-	-	250,000	250,000
Balance as of September 30, 2011	\$ (1,558)	\$ -	\$ 2,506,606	\$ 2,505,048

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 10 – Endowment, Continued

Strategies employed to achieve objectives, continued

	For the Year Ended September 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of October 1, 2009	\$ -	\$ -	\$ 2,256,606	\$ 2,256,606
Investment return:				
Investment income	-	-	11,731	11,731
Net appreciation (realized and unrealized)	-	-	23,569	23,569
Total investment return	-	-	35,300	35,300
Transfer of endowment earnings	35,300	-	(35,300)	-
Appropriations for endowment expenditures	(35,300)	-	-	(35,300)
Balance as of September 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,256,606</u>	<u>\$ 2,256,606</u>

Note 11 – Legal Proceedings

The Organization is party to litigation and other claims in the ordinary course of business. The Organization recognizes liability for legal proceedings when a loss is probable and estimable. When a loss is probable and estimable, within a range, the Organization accrues the amount most likely to be incurred. Management believes that the ultimate outcome of these matters will not materially affect the consolidated financial position of the Organization.

Note 12 – Description of Leasing Arrangements

The Organization has operating lease agreements for the rental of office and recreational facilities, expiring through November 2026. All operating lease agreements for recreational facilities require annual rent of \$1 each. The office lease requires contingent rental payments of the Organization's proportionate share of the landlord's common area operating costs. The recreational facilities leases require the Organization to pay all costs of maintaining and repairing the leased premises and may generally be extended for an additional five to ten years.

Total rent expense for the years ended September 30, 2011 and 2010 was \$1,596,568 and \$1,597,821, respectively, including \$1,532,710 for donated facilities in both years.

Note 13 – Risks and Concentrations

Approximately 13% of the Organization's total support and revenue is provided through grants with the State of Florida. Approximately 10% of the Organization's support and revenue is provided through grant programs with Family Central, a pass-through agency for the Children's Services Council of Palm Beach County.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 14 – Commitments

During the year ended September 30, 2010, the Organization received approximately 11 acres of land valued at \$286,024 from Palm Beach County (the County), a portion of which is suitable for building a new club in West Palm Beach (see Note 5). As a condition of the grant, the Organization is required to construct a new club facility on the property by May 2013. Should the Organization fail to construct a new club facility, the land will revert back to the County. The land is recorded as property and equipment in the consolidated statement of financial position and included in contributions and grants in the consolidated statement of activities.

Note 15 – Subsequent Events

Management evaluated the Organization's activities subsequent to September 30, 2011 through December 21, 2011 for events that require recognition in the consolidated financial statements or disclosure in the notes thereto.

SUPPLEMENTARY INFORMATION

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC.
AND AFFILIATE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2011**

<u>Federal grantor/program title</u>	<u>Grant Period</u>	<u>Federal CFDA Number</u>	<u>Total Program Expenditures</u>
U.S. Department of Justice:			
Passed through:			
Boys and Girls Clubs of America, Inc.			
Mentoring Programs Implementation	10/1/10-9/30/11	16.726	\$ <u>120,000</u>
U.S. Department of Education:			
Passed through:			
Florida Department of Education			
Twenty-first Century Community Learning Centers	8/1/10-7/31/11	84.287	489,698
Twenty-first Century Community Learning Centers	8/1/10-7/31/11	84.287	286,505
Twenty-first Century Community Learning Centers	8/1/10-7/31/11	84.287	272,439
Twenty-first Century Community Learning Centers	8/1/10-7/31/11	84.287	258,464
Twenty-first Century Community Learning Centers	8/1/10-7/31/11	84.287	38,200
Twenty-first Century Community Learning Centers	8/1/11-7/31/12	84.287	22,552
Twenty-first Century Community Learning Centers	8/1/11-7/31/12	84.287	20,975
Twenty-first Century Community Learning Centers	8/1/11-7/31/12	84.287	8,900
Twenty-first Century Community Learning Centers	8/1/11-7/31/12	84.287	2,612
			<u>1,400,345</u>
Total expenditures of federal awards			\$ <u><u>1,520,345</u></u>

See accompanying notes to schedule of expenditures of federal awards.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 – Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 – Subrecipients

None of the federal expenditures presented in the accompanying schedule of expenditures of federal awards was provided to subrecipients.

Report of Independent Auditor on Consolidating Information

To the Boards of Directors
Boys & Girls Clubs of Palm Beach County, Inc. and
Boys & Girls Clubs Foundation, Inc.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliate taken as a whole. The accompanying consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Templeton & Company, LLP

West Palm Beach, Florida
December 21, 2011



CONSOLIDATING INFORMATION

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC.
AND AFFILIATE**
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2011

ASSETS	Boys and Girls Club of Palm Beach County, Inc.		
	Unrestricted	Temporarily Restricted	Total
Current assets:			
Cash and cash equivalents	\$ 470,017	\$ 2,758	\$ 472,775
Portfolio investments	-	257,122	257,122
Accounts receivable, net	593,597	150,000	743,597
Current portion of unconditional promises to give, net	-	42,000	42,000
Due from the Foundation	132,128	-	132,128
Prepaid expenses	<u>181,802</u>	<u>-</u>	<u>181,802</u>
Total current assets	1,377,544	451,880	1,829,424
Property and equipment, net	11,295,885	286,024	11,581,909
Unconditional promises to give, net of current portion	-	154,595	154,595
Other assets	<u>26,829</u>	<u>-</u>	<u>26,829</u>
Total assets	<u>\$ 12,700,258</u>	<u>\$ 892,499</u>	<u>\$ 13,592,757</u>
 LIABILITIES AND NET ASSETS			
Current liabilities:			
Line of credit	\$ 213,062	\$ -	\$ 213,062
Accounts payable and accrued expenses	659,969	-	659,969
Construction costs and retainage payable	990,019	-	990,019
Due to the Club	-	-	-
Deferred revenue	<u>517,797</u>	<u>-</u>	<u>517,797</u>
Total current liabilities	<u>2,380,847</u>	<u>-</u>	<u>2,380,847</u>
Net assets:			
Unrestricted	10,319,411	-	10,319,411
Temporarily restricted	-	892,499	892,499
Permanently restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>10,319,411</u>	<u>892,499</u>	<u>11,211,910</u>
Total liabilities and net assets	<u>\$ 12,700,258</u>	<u>\$ 892,499</u>	<u>\$ 13,592,757</u>

Boys & Girls Clubs Foundation, Inc.					Consolidated			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminating	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 92,712	\$ 1,212,176	\$ 158,265	\$ 1,463,153	\$ -	\$ 562,729	\$ 1,214,934	\$ 158,265	\$ 1,935,928
(2)	447,587	2,148,341	2,595,926	-	(2)	704,709	2,148,341	2,853,048
-	-	-	-	-	593,597	150,000	-	743,597
-	89,626	50,000	139,626	-	-	131,626	50,000	181,626
-	-	-	-	(132,128)	-	-	-	-
-	-	-	-	-	181,802	-	-	181,802
92,710	1,749,389	2,356,606	4,198,705	(132,128)	1,338,126	2,201,269	2,356,606	5,896,001
-	-	-	-	-	11,295,885	286,024	-	11,581,909
-	1,264,187	150,000	1,414,187	-	-	1,418,782	150,000	1,568,782
30,733	-	-	30,733	-	57,562	-	-	57,562
<u>\$ 123,443</u>	<u>\$ 3,013,576</u>	<u>\$ 2,506,606</u>	<u>\$ 5,643,625</u>	<u>\$(132,128)</u>	<u>\$ 12,691,573</u>	<u>\$ 3,906,075</u>	<u>\$ 2,506,606</u>	<u>\$ 19,104,254</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,062	\$ -	\$ -	\$ 213,062
-	-	-	-	-	659,969	-	-	659,969
132,128	-	-	132,128	(132,128)	990,019	-	-	990,019
-	-	-	-	-	-	-	-	-
132,128	-	-	132,128	(132,128)	517,797	-	-	517,797
(8,685)	-	-	(8,685)	-	2,380,847	-	-	2,380,847
-	3,013,576	-	3,013,576	-	10,310,726	-	-	10,310,726
-	-	2,506,606	2,506,606	-	-	3,906,075	-	3,906,075
(8,685)	3,013,576	2,506,606	5,511,497	-	-	-	2,506,606	2,506,606
<u>\$ 123,443</u>	<u>\$ 3,013,576</u>	<u>\$ 2,506,606</u>	<u>\$ 5,643,625</u>	<u>\$(132,128)</u>	<u>\$ 12,691,573</u>	<u>\$ 3,906,075</u>	<u>\$ 2,506,606</u>	<u>\$ 19,104,254</u>

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC.
AND AFFILIATE**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

September 30, 2010

ASSETS	Boys & Girls Clubs of Palm Beach County, Inc.		
	Unrestricted	Temporarily Restricted	Total
Current assets:			
Cash and cash equivalents	\$ 27,581	\$ 47	\$ 27,628
Portfolio investments	-	274,576	274,576
Accounts receivable, net	850,851	-	850,851
Current portion of unconditional promises to give, net	-	28,462	28,462
Due from the Foundation	108,791	-	108,791
Prepaid expenses	160,861	-	160,861
Total current assets	1,148,084	303,085	1,451,169
Property and equipment, net	7,407,435	286,024	7,693,459
Unconditional promises to give, net of current portion	-	196,595	196,595
Other assets	26,159	-	26,159
Total assets	\$ 8,581,678	\$ 785,704	\$ 9,367,382
 LIABILITIES AND NET ASSETS			
Current liabilities:			
Line of credit	\$ 50,000	\$ -	\$ 50,000
Accounts payable and accrued expenses	677,508	-	677,508
Construction costs and retainage payable	421,534	-	421,534
Due to the Club	-	-	-
Deferred revenue	384,657	-	384,657
Total current liabilities	1,533,699	-	1,533,699
Net assets:			
Unrestricted	7,047,979	-	7,047,979
Temporarily restricted	-	785,704	785,704
Permanently restricted	-	-	-
Total net assets	7,047,979	785,704	7,833,683
Total liabilities and net assets	\$ 8,581,678	\$ 785,704	\$ 9,367,382

Boys & Girls Clubs Foundation, Inc.					Consolidated			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminating	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 77,566	\$ 2,917,873	\$ 71,724	\$ 3,067,163	\$ -	\$ 105,147	\$ 2,917,920	\$ 71,724	\$ 3,094,791
50,403	628,103	2,184,882	2,863,388	-	50,403	902,679	2,184,882	3,137,964
-	-	-	-	-	850,851	-	-	850,851
-	802,640	-	802,640	-	-	831,102	-	831,102
-	-	-	-	(108,791)	-	-	-	-
-	-	-	-	-	160,861	-	-	160,861
127,969	4,348,616	2,256,606	6,733,191	(108,791)	1,167,262	4,651,701	2,256,606	8,075,569
-	-	-	-	-	7,407,435	286,024	-	7,693,459
-	1,379,368	-	1,379,368	-	-	1,575,963	-	1,575,963
28,634	-	-	28,634	-	54,793	-	-	54,793
<u>\$ 156,603</u>	<u>\$ 5,727,984</u>	<u>\$ 2,256,606</u>	<u>\$ 8,141,193</u>	<u>\$(108,791)</u>	<u>\$ 8,629,490</u>	<u>\$ 6,513,688</u>	<u>\$ 2,256,606</u>	<u>\$ 17,399,784</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ 50,000
-	-	-	-	-	677,508	-	-	677,508
-	-	-	-	(108,791)	421,534	-	-	421,534
108,791	-	-	108,791	-	-	-	-	-
-	-	-	-	-	384,657	-	-	384,657
108,791	-	-	108,791	(108,791)	1,533,699	-	-	1,533,699
47,812	-	-	47,812	-	7,095,791	-	-	7,095,791
-	5,727,984	-	5,727,984	-	-	6,513,688	-	6,513,688
-	-	2,256,606	2,256,606	-	-	-	2,256,606	2,256,606
47,812	5,727,984	2,256,606	8,032,402	-	7,095,791	6,513,688	2,256,606	15,866,085
<u>\$ 156,603</u>	<u>\$ 5,727,984</u>	<u>\$ 2,256,606</u>	<u>\$ 8,141,193</u>	<u>\$(108,791)</u>	<u>\$ 8,629,490</u>	<u>\$ 6,513,688</u>	<u>\$ 2,256,606</u>	<u>\$ 17,399,784</u>

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC.
AND AFFILIATE**

**CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011**

	<u>Boys & Girls Clubs of Palm Beach County, Inc.</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 1,166,047	\$ 422,697	\$ 1,588,744
Federal, state and local government grants	3,564,154	-	3,564,154
Special events, net	1,028,456	-	1,028,456
Program revenue	692,971	-	692,971
Snack bar and vending, net	25,736	-	25,736
Donated facilities and goods	3,153,171	-	3,153,171
Other income (loss), net	(22,647)	-	(22,647)
Net assets released from restrictions	<u>301,377</u>	<u>(301,377)</u>	<u>-</u>
Total support and revenue	<u>9,909,265</u>	<u>121,320</u>	<u>10,030,585</u>
Expenses:			
Program services:			
Character and leadership development	652,025	-	652,025
Education and career development	2,390,750	-	2,390,750
Sports, fitness and recreation	4,564,162	-	4,564,162
Health and life skills	869,367	-	869,367
Cultural arts	<u>1,195,375</u>	<u>-</u>	<u>1,195,375</u>
Total program services	<u>9,671,679</u>	<u>-</u>	<u>9,671,679</u>
Supporting services:			
Management and general	652,025	-	652,025
Fund raising	<u>543,354</u>	<u>-</u>	<u>543,354</u>
Total expenses	<u>10,867,058</u>	<u>-</u>	<u>10,867,058</u>
Increase (decrease) in net assets before non-operating activities	(957,793)	121,320	(836,473)
Transfer of assets (to) from entities	4,271,868	-	4,271,868
Net investment return (loss)	-	(14,525)	(14,525)
Interest	(11,750)	-	(11,750)
Loss on disposal of property and equipment	<u>(30,893)</u>	<u>-</u>	<u>(30,893)</u>
Increase (decrease) in net assets	3,271,432	106,795	3,378,227
Net assets - beginning of period	<u>7,047,979</u>	<u>785,704</u>	<u>7,833,683</u>
Net assets - end of period	<u>\$ 10,319,411</u>	<u>\$ 892,499</u>	<u>\$ 11,211,910</u>

Boys & Girls Clubs Foundation, Inc.				Consolidated				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminating	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 10,753	\$ 1,655,334	\$ 250,000	\$ 1,916,087	\$ -	\$ 1,176,800	\$ 2,078,031	\$ 250,000	\$ 3,504,831
-	-	-	-	-	3,564,154	-	-	3,564,154
-	-	-	-	-	1,028,456	-	-	1,028,456
-	-	-	-	-	692,971	-	-	692,971
-	-	-	-	-	25,736	-	-	25,736
-	-	-	-	-	3,153,171	-	-	3,153,171
(3)	-	-	(3)	-	(22,650)	-	-	(22,650)
-	-	-	-	-	301,377	(301,377)	-	-
<u>10,750</u>	<u>1,655,334</u>	<u>250,000</u>	<u>1,916,084</u>	-	<u>9,920,015</u>	<u>1,776,654</u>	<u>250,000</u>	<u>11,946,669</u>
-	-	-	-	-	652,025	-	-	652,025
-	-	-	-	-	2,390,750	-	-	2,390,750
-	-	-	-	-	4,564,162	-	-	4,564,162
-	-	-	-	-	869,367	-	-	869,367
-	-	-	-	-	1,195,375	-	-	1,195,375
-	-	-	-	-	9,671,679	-	-	9,671,679
-	-	-	-	-	652,025	-	-	652,025
<u>138,766</u>	-	-	<u>138,766</u>	-	<u>682,120</u>	-	-	<u>682,120</u>
<u>138,766</u>	-	-	<u>138,766</u>	-	<u>11,005,824</u>	-	-	<u>11,005,824</u>
(128,016)	1,655,334	250,000	1,777,318	-	(1,085,809)	1,776,654	250,000	940,845
97,874	(4,369,742)	-	(4,271,868)	-	4,369,742	(4,369,742)	-	-
(26,355)	-	-	(26,355)	-	(26,355)	(14,525)	-	(40,880)
-	-	-	-	-	(11,750)	-	-	(11,750)
-	-	-	-	-	(30,893)	-	-	(30,893)
(56,497)	(2,714,408)	250,000	(2,520,905)	-	3,214,935	(2,607,613)	250,000	857,322
<u>47,812</u>	<u>5,727,984</u>	<u>2,256,606</u>	<u>8,032,402</u>	-	<u>7,095,791</u>	<u>6,513,688</u>	<u>2,256,606</u>	<u>15,866,085</u>
<u>\$ (8,685)</u>	<u>\$ 3,013,576</u>	<u>\$ 2,506,606</u>	<u>\$ 5,511,497</u>	<u>\$ -</u>	<u>\$ 10,310,726</u>	<u>\$ 3,906,075</u>	<u>\$ 2,506,606</u>	<u>\$ 16,723,407</u>

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC.
AND AFFILIATE**

**CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2010**

	<u>Boys & Girls Clubs of Palm Beach County, Inc.</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 1,468,791	\$ 541,806	\$ 2,010,597
Federal, state and local government grants	4,008,108	-	4,008,108
Special events, net	866,380	-	866,380
Program revenue	586,165	-	586,165
Snack bar and vending, net	29,098	-	29,098
Donated facilities and goods	1,906,710	-	1,906,710
Other income (loss), net	(50,224)	-	(50,224)
Net assets released from restrictions	285,079	(285,079)	-
Total support and revenue	<u>9,100,107</u>	<u>256,727</u>	<u>9,356,834</u>
Expenses:			
Program services:			
Character and leadership development	563,568	-	563,568
Education and career development	2,100,431	-	2,100,431
Sports, fitness and recreation	3,945,000	-	3,945,000
Health and life skills	751,428	-	751,428
Cultural arts	1,033,215	-	1,033,215
Total program services	<u>8,393,642</u>	<u>-</u>	<u>8,393,642</u>
Supporting services:			
Management and general	563,570	-	563,570
Fund raising	469,644	-	469,644
Total expenses	<u>9,426,856</u>	<u>-</u>	<u>9,426,856</u>
Increase (decrease) on net assets before non-operating activities	<u>(326,749)</u>	<u>256,727</u>	<u>(70,022)</u>
Transfer of assets between entities	<u>3,049,948</u>	<u>-</u>	<u>3,049,948</u>
Net investment return (loss)	<u>-</u>	<u>22,112</u>	<u>22,112</u>
Interest expense	<u>(13,301)</u>	<u>-</u>	<u>(13,301)</u>
Gain on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>2,709,898</u>	<u>278,839</u>	<u>2,988,737</u>
Net assets - beginning of year	<u>4,338,081</u>	<u>506,865</u>	<u>4,844,946</u>
Net assets - end of year	<u>\$ 7,047,979</u>	<u>\$ 785,704</u>	<u>\$ 7,833,683</u>

Boys & Girls Clubs Foundation, Inc.				Consolidated				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminating	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 3,527,565	\$ -	\$ -	\$ -	\$ 1,468,791	\$ 4,069,371	\$ -	\$ 5,538,162
-	-	-	-	-	4,008,108	-	-	4,008,108
-	-	-	-	-	866,380	-	-	866,380
-	-	-	-	-	586,165	-	-	586,165
-	-	-	-	-	29,098	-	-	29,098
-	-	-	-	-	1,906,710	-	-	1,906,710
(1,350)	-	-	(1,350)	-	(51,574)	-	-	(51,574)
-	-	-	-	-	285,079	(285,079)	-	-
<u>(1,350)</u>	<u>3,527,565</u>	<u>-</u>	<u>3,526,215</u>	<u>-</u>	<u>9,098,757</u>	<u>3,784,292</u>	<u>-</u>	<u>12,883,049</u>
-	-	-	-	-	563,568	-	-	563,568
-	-	-	-	-	2,100,431	-	-	2,100,431
-	-	-	-	-	3,945,000	-	-	3,945,000
-	-	-	-	-	751,428	-	-	751,428
-	-	-	-	-	<u>1,033,215</u>	-	-	<u>1,033,215</u>
-	-	-	-	-	8,393,642	-	-	8,393,642
-	-	-	-	-	563,570	-	-	684,397
102,057	11,004	-	113,061	-	571,701	11,004	-	620,758
<u>102,057</u>	<u>11,004</u>	<u>-</u>	<u>113,061</u>	<u>-</u>	<u>9,528,913</u>	<u>11,004</u>	<u>-</u>	<u>9,698,797</u>
(103,407)	3,516,561	-	3,413,154	-	(430,156)	3,773,288	-	3,343,132
(251,855)	(2,798,093)	-	(3,049,948)	-	-	-	-	-
-	225,828	-	225,828	-	2,798,093	(2,798,093)	-	-
-	-	-	-	-	-	247,940	-	247,940
-	-	-	-	-	(13,301)	-	-	(13,301)
(355,262)	944,296	-	589,034	-	2,354,636	1,223,135	-	3,577,771
<u>403,074</u>	<u>4,783,688</u>	<u>2,256,606</u>	<u>7,443,368</u>	<u>-</u>	<u>4,741,155</u>	<u>5,290,553</u>	<u>2,256,606</u>	<u>12,288,314</u>
<u>\$ 47,812</u>	<u>\$ 5,727,984</u>	<u>\$ 2,256,606</u>	<u>\$ 8,032,402</u>	<u>\$ -</u>	<u>\$ 7,095,791</u>	<u>\$ 6,513,688</u>	<u>\$ 2,256,606</u>	<u>\$ 15,866,085</u>

**Independent Auditor's Report on Internal
Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Boards of Directors
Boys & Girls Clubs of Palm Beach County, Inc. and
Boys & Girls Clubs Foundation, Inc.

We have audited the consolidated financial statements of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliate (the Organization) as of and for the year ended September 30, 2011, and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial consolidated statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and



material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the Organization in a separate letter dated December 21, 2011.

This report is intended solely for the information and use of the Boards of Directors, management of the Organization, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Templeton & Company, LLP

West Palm Beach, Florida
December 21, 2011

**Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133**

To the Boards of Directors
Boys & Girls Clubs of Palm Beach County, Inc. and
Boys & Girls Clubs Foundation, Inc.

Compliance

We have audited Boys & Girls Clubs of Palm Beach County, Inc. and Affiliate's (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2011. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended September 30, 2011.

Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal award program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Boards of Directors, management of the Organization, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Templeton & Company, LLP

West Palm Beach, Florida
December 21, 2011

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2011**

Part I -- Summary of Auditor's Results:

Financial statement section:	
Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No
Federal awards section:	
Dollar threshold used to determine Type A Program	\$300,000
Auditee qualified as low-risk auditee?	Yes
Type of auditor's report on compliance for major programs	Unqualified
Internal control over compliance for major programs:	
Material weaknesses identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 [Section 510(a)]?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287	Twenty-First Century Community Learning Centers

Part II -- Financial Statement Findings and Questioned Costs

This section identifies reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

We noted no reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Part III -- Federal Award Findings and Questioned Costs

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by Circular A-133 Section 510(a) as well as the status of prior year findings and questioned costs.

Current Period Findings and Questioned Costs

No reportable conditions, material weaknesses, or instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by OMB Circular A-133 Section 510(a), were reported for the year ended September 30, 2011.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2010**

Part III – Federal Award Findings and Questioned Costs, Continued

Prior Year Findings and Questioned Costs

No reportable conditions, material weaknesses, or instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by OMB Circular A-133 Section 510(a), were reported for the year ended September 30, 2010.

Part IV – Management Letter

A separate management letter was issued.