

**Boys & Girls Clubs of
Central Florida, Inc.**

Financial Statements
Years Ended June 30, 2013 and 2012

Boys & Girls Clubs of Central Florida, Inc.

Contents

Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Statements of Functional Expenses	7
Notes to Financial Statements	8 – 19



Independent Auditor's Report

Board of Directors
Boys & Girls Clubs of Central Florida, Inc.
Orlando, Florida

We have audited the accompanying financial statements of Boys & Girls Clubs of Central Florida, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Central Florida, Inc. as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

December 12, 2013

Boys & Girls Clubs of Central Florida, Inc.

Statements of Financial Position

<i>June 30,</i>	2013	2012
Assets		
Current:		
Cash and cash equivalents	\$ 5,403,118	\$ 5,501,587
Investments (Note 2)	5,548,646	5,033,824
Certificates of deposit	403,852	403,030
Grants receivable	1,283,297	1,222,152
Contributions receivable, current portion, net (Note 3)	1,168,434	945,915
Prepaid expenses	103,954	118,356
Total current assets	13,911,301	13,224,864
Property and equipment, net (Note 4)	15,736,244	16,229,473
Other assets:		
Deferred compensation investments (Note 5)	189,725	161,666
Contributions receivable, long term, net (Note 3)	701,670	680,287
Other	96,203	103,672
Total other assets	987,598	945,625
	\$ 30,635,143	\$ 30,399,962
Liabilities and Net Assets		
Current liabilities:		
Accounts payable (Note 12)	\$ 873,668	\$ 292,339
Accrued compensation	399,908	414,990
Deferred revenues	347,399	273,775
Total current liabilities	1,620,975	981,104
Deferred compensation liability (Note 5)	189,725	161,666
Commitments and contingencies (Notes 6 and 7)	-	-
Net assets (Note 8):		
Unrestricted	19,076,533	19,455,715
Temporarily restricted	8,988,045	9,073,812
Permanently restricted	759,865	727,665
Total net assets	28,824,443	29,257,192
	\$ 30,635,143	\$ 30,399,962

See accompanying notes to financial statements.

Boys & Girls Clubs of Central Florida, Inc.

Statements of Activities

Year ended June 30,	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:								
Government revenues	\$ 5,245,690	\$ –	\$ –	\$ 5,245,690	\$ 4,869,347	\$ –	\$ –	\$ 4,869,347
Contributions	1,764,921	1,161,672	32,200	2,958,793	2,018,315	1,462,304	–	3,480,619
In-kind contributions (Note 1)	2,434,075	–	–	2,434,075	2,477,077	–	–	2,477,077
United Way	737,712	253,587	–	991,299	669,703	294,152	–	963,855
Special events	804,444	–	–	804,444	707,711	–	–	707,711
Dues and program services	626,080	–	–	626,080	731,835	–	–	731,835
Investment income (Note 2)	472,773	72,052	–	544,825	50,551	11,187	–	61,738
Other revenues	105,369	–	–	105,369	83,024	–	–	83,024
Return of unspent grant funds (Note 12)	–	(602,341)	–	(602,341)	–	–	–	–
Net assets released from restrictions (Note 8)	970,737	(970,737)	–	–	801,977	(801,977)	–	–
Total revenues and support	13,161,801	(85,767)	32,200	13,108,234	12,409,540	965,666	–	13,375,206
Expenses:								
Program services	10,789,190	–	–	10,789,190	10,308,743	–	–	10,308,743
Supporting services:								
Management and general	1,793,028	–	–	1,793,028	1,335,159	–	–	1,335,159
Fundraising	958,765	–	–	958,765	947,066	–	–	947,066
Total expenses	13,540,983	–	–	13,540,983	12,590,968	–	–	12,590,968
Change in net assets	(379,182)	(85,767)	32,200	(432,749)	(181,428)	965,666	–	784,238
Net assets, beginning of year	19,455,715	9,073,812	727,665	29,257,192	19,637,143	8,108,146	727,665	28,472,954
Net assets, end of year	\$19,076,533	\$8,988,045	\$759,865	\$28,824,443	\$19,455,715	\$9,073,812	\$727,665	\$29,257,192

See accompanying notes to financial statements.

Boys & Girls Clubs of Central Florida, Inc.

Statements of Cash Flows

<i>Year ended June 30,</i>	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ (432,749)	\$ 784,238
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	633,225	605,821
Amortization of pledge discount	(14,548)	(13,915)
Provision for uncollectible pledges	214,958	181,417
Donated property and equipment	(11,700)	(141,014)
Donated stock	(70,946)	-
Net realized and unrealized (gains) losses on investments	(372,056)	89,298
(Gain) loss on disposal of fixed assets	(10,440)	20,424
Cash provided by (used for):		
Grants receivable	(61,145)	(406,578)
Contributions receivable	(444,312)	244,397
Prepaid expenses	14,402	(16,233)
Other assets	7,469	174
Accounts payable and accrued expenses	566,247	(152,473)
Deferred revenue	73,624	111,827
Net cash provided by operating activities	92,029	1,307,383
Cash flows from investing activities:		
Purchase of property and equipment	(249,625)	(1,852,827)
Proceeds from sale of property and equipment	131,769	-
Transfers of cash from (to) investments	42,648	(600,703)
Purchase of investments	(1,183,951)	(1,407,878)
Proceeds from sales of investments	1,068,661	1,299,256
Net cash used for investing activities	(190,498)	(2,562,152)
Net decrease in cash and cash equivalents	(98,469)	(1,254,769)
Cash and cash equivalents, beginning of year	5,501,587	6,756,356
Cash and cash equivalents, end of year	\$ 5,403,118	\$ 5,501,587

See accompanying notes to financial statements.

Boys & Girls Clubs of Central Florida, Inc.

Statements of Functional Expenses

Year ended June 30,	2013				2012			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		Management and General	Fundraising			Management and General	Fundraising	
Personnel:								
Salaries	\$ 4,661,679	\$ 748,469	\$452,104	\$ 5,862,252	\$ 4,422,127	\$ 632,955	\$450,384	\$ 5,505,466
Employee benefits	485,687	142,274	80,928	708,889	493,742	96,944	84,725	675,411
Payroll taxes	366,073	66,217	31,516	463,806	332,550	61,491	30,926	424,967
	5,513,439	956,960	564,548	7,034,947	5,248,419	791,390	566,035	6,605,844
Other:								
Occupancy	337,230	32,401	4,676	374,307	394,661	68,222	4,080	466,963
Building repairs and maintenance	236,263	658	–	236,921	270,173	1,862	3,399	275,434
Equipment expenses	258,677	39,402	17,798	315,877	241,895	19,781	14,495	276,171
Transportation	301,082	18,003	3,218	322,303	251,535	18,110	4,418	274,063
Program materials	971,864	19,495	10,438	1,001,797	761,403	10,984	21,479	793,866
In-kind expenses	2,014,092	128,751	291,232	2,434,075	2,095,235	81,437	300,405	2,477,077
Professional fees	7,385	30,900	–	38,285	–	22,237	–	22,237
Pre-employment fees	30,177	17,376	7,053	54,606	37,690	15,478	121	53,289
Contract services	275,342	61,065	10,595	347,002	156,781	40,505	1,397	198,683
Insurance	171,652	8,945	–	180,597	151,194	5,197	–	156,391
Postage and printing	60,973	18,803	14,750	94,526	88,394	15,127	1,806	105,327
Training	60,472	14,858	2,180	77,510	49,769	17,919	2,313	70,001
Dues and subscriptions	29,711	25,495	2,912	58,118	34,802	14,330	1,302	50,434
Service charges	18,079	14,168	6,602	38,849	18,149	11,867	1,981	31,997
Miscellaneous	11,158	254,910	3,116	269,184	–	68,039	7,951	75,990
Capital campaign expenses	–	19,647	19,647	39,294	–	15,435	15,521	30,956
Total other expenses	4,784,157	704,877	394,217	5,883,251	4,551,681	426,530	380,668	5,358,879
Total expenses before depreciation and (gain) loss on disposal	10,297,596	1,661,837	958,765	12,918,198	9,800,100	1,217,920	946,703	11,964,723
Depreciation	491,594	141,631	–	633,225	508,643	96,815	363	605,821
(Gain) loss on disposal of fixed assets	–	(10,440)	–	(10,440)	–	20,424	–	20,424
Total expenses	\$10,789,190	\$1,793,028	\$958,765	\$13,540,983	\$10,308,743	\$1,335,159	\$947,066	\$12,590,968

See accompanying notes to financial statements.

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Organization

Boys & Girls Clubs of Central Florida, Inc. (the “Organization”) is a nonprofit organization that was established to provide behavioral prudence and to promote the health and the social, educational, vocational and character development of boys and girls in the Central Florida area.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are stated at market value. Realized and unrealized gains and losses are reflected in the statements of activities and are combined with investment income earned during the period.

Grants Receivable

Grants receivable represent amounts owed to the Organization from federal, state and local governments for services rendered under contractual obligations and grants from Boys and Girls Club of America, corporations and foundations. All outstanding grants receivable are considered collectible and an allowance for uncollectible amounts was not recorded.

Contributions Receivable

Contributions receivable consist of unconditional promises to give and are recorded when the promises to contribute are made. Contributions receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Organization provides an allowance for uncollectible contributions based on historical collection experience.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value on the date received if donated. Buildings and equipment are depreciated using the straight-line method over the estimated life of the assets.

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

In-Kind Contributions

The Organization received the following in-kind contributions, which were included on the statements of activities:

<i>Year ended June 30,</i>	2013	2012
Facilities rent	\$ 1,843,394	\$ 1,849,045
Auction items	194,782	299,130
Theme park tickets	20,310	52,686
Other	375,589	276,216
Total	\$ 2,434,075	\$ 2,477,077

Contributed services are recognized as contributions and recorded at fair value if the services create or enhance nonfinancial assets, require specialized skills and are performed by people with those skills and would otherwise be purchased by the Organization. During the year, numerous volunteers provided assistance in the Organization's program services and fundraising campaigns which are not recognized as contributions.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Revenues

A significant portion of the Organization's government contracts and certain United Way grants are exchange transactions in which each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions and, as such, are deemed to be earned and reported as revenue when such funds have been expended towards the designated purpose. Funds received in advance under contractual obligations for which services have yet to be performed are recognized as deferred revenue.

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

Contributions and Donor-Imposed Restrictions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction. If a temporary restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Special Event Revenue

Special event revenue is recognized as revenue when the event takes place.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain expenses have been allocated among the program and supporting services directly benefited. Other expenses are allocated based on management's estimate of the benefit derived by each activity.

Fair Value of Financial Instruments

The Organization reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring 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).

The three levels of the fair value hierarchy are described below:

- Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation based on observable quoted prices for similar assets and liabilities in active markets.

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

- Level 3 – Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management’s best estimate of what market participants would use as fair value.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, contributions and grants receivable due in one year or less, and accounts payable and accrued expenses. Contributions due beyond one year are recorded at their net present value using a risk-free interest rate available on U.S. Treasury issues at the date the pledge was made with an equivalent term approximately equal to the number of years the contribution will be paid, which approximates fair value.

The Organization’s Level 1 financial assets consist of investments identified in Note 2 and deferred compensation investments (and corresponding liability) discussed in Note 5 and are valued on a daily basis in an active market.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions in the Florida Income Tax Code.

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Organization’s tax years currently subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

Use of 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 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 items have been reclassified in the 2012 financial statements to conform to the 2013 presentation.

2. Investments

The Organization's investments consist of the following:

<i>June 30,</i>	2013	2012
Level 1:		
Fixed income mutual funds	\$ 2,793,400	\$ 2,819,818
Equity mutual funds	650,388	525,685
Equities	2,104,858	1,688,321
	\$ 5,548,646	\$ 5,033,824
<i>Year ended June 30,</i>	2013	2012
Net realized and unrealized gains (losses) on investments	\$ 372,056	\$ (89,298)
Dividends and interest	172,769	151,036
	\$ 544,825	\$ 61,738

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

3. Contributions Receivable

Contributions receivable are due as follows:

<i>June 30,</i>	2013	2012
Less than one year	\$ 1,183,077	\$ 987,751
One to five years	988,695	1,102,761
	2,171,772	2,090,512
Less: allowance for uncollectible contributions	(293,293)	(399,551)
Less: present value discount at 1.63%	(8,375)	(64,759)
	\$ 1,870,104	\$ 1,626,202
Contributions receivable current portion, net	\$ 1,168,434	\$ 945,915
Contributions receivable, long term, net	701,670	680,287
	\$ 1,870,104	\$ 1,626,202

4. Property and Equipment

Property and equipment is summarized as follows:

<i>June 30,</i>	<i>Life</i>	2013	2012
Land	–	\$ 1,049,750	\$ 1,049,750
Buildings and improvements	5-40 yrs.	15,711,847	15,829,514
Furniture and equipment	5-10 yrs.	1,361,627	1,335,745
Automotive equipment	5 yrs.	344,741	344,741
Construction in progress	–	541,577	314,344
		19,009,542	18,874,094
Less: accumulated depreciation		(3,273,298)	(2,644,621)
		\$ 15,736,244	\$ 16,229,473

Construction in progress includes the costs of completing the building for the Brevard Club. The total remaining cost to complete construction for the Brevard clubhouse is estimated to be approximately \$609,000 and is expected to be completed in December 2013 and open in January 2014.

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

5. Deferred Compensation

In December 2005, the Board of Directors of the Organization approved establishing a deferred compensation plan for the President of the Organization. An initial contribution was made to the plan in the amount of \$100,000. Contributions of \$6,500 are to be contributed annually. The account will be adjusted annually for income, gains, expenses and losses experienced by the plan's investments. The Organization shall pay the balance of deferred compensation in a single lump sum after the earlier of December 15, 2014 or the date employment terminates or the employee becomes disabled. Contributions of \$6,500 were paid to the plan during the years ended June 30, 2013 and 2012, respectively, and are included in employee benefits on the statements of functional expenses. Investments held by the plan consisted of money market and mutual funds for the years ended June 30, 2013 and 2012. The amount of restricted investments held for the plan at June 30, 2013 and 2012 were \$189,725 and \$161,666, respectively.

6. Commitments and Contingencies

Operating Leases

The Organization has entered into non-cancelable leases for office and program space under agreements expiring in fiscal year 2014. Rental expense for the years ended June 30, 2013 and 2012 was \$52,239 and \$144,808, respectively, and is included in occupancy on the statements of functional expenses. Since many of the Organization's leases are month-to-month, the minimum contractual future rental payments are nominal.

Legal

The Organization is subject to claims and legal proceedings which arise in the ordinary course of business. Management believes that losses resulting from these matters, if any, would not have a material adverse effect on the financial position or results of activities of the Organization.

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

7. Profit-Sharing Plan

The Organization established a 401(k) profit sharing plan (the "Plan") effective January 1, 2005. Employees must be 21 years of age and must have completed one year of full-time employment before they become eligible to participate. The Plan provides a graded vesting schedule from two to six years of service. Effective January 1, 2011, the Plan was amended to provide that the Organization will contribute the equivalent of 7% of the employee's salary as a profit sharing contribution and provides for a safe harbor match whereby the Organization will contribute, on a matching basis, a dollar for dollar match on the first 3% of employee contribution and a 50% match on the next 2%. The Organization's policy is to fund the Plan's cost. Contributions to the Plan for the years ended June 30, 2013 and 2012 were \$303,070 and \$296,413, respectively, and are included in employee benefits in the statements of functional expenses.

8. Net Assets

Unrestricted

Unrestricted net assets are available for the following purposes:

<i>June 30,</i>	2013	2012
Property and equipment	\$ 15,736,244	\$ 16,229,473
Board-designated capital replacement reserve	1,250,044	1,238,381
Undesignated net assets	2,090,245	1,987,861
	\$ 19,076,533	\$ 19,455,715

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

<i>June 30,</i>	2013	2012
Capital expenditures	\$ 6,337,043	\$ 6,820,941
United Way time restricted contributions	253,587	294,152
Time restricted pledges	1,125,517	851,464
Program operations	1,271,898	1,107,255
	\$ 8,988,045	\$ 9,073,812

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

The intent of the Organization's capital fundraising campaign as determined by the Board is that upon satisfaction of donors' restrictions for capital expenditures, that any remaining contributions not spent will be designated by the Board and become board designated endowment funds for operating the related capital projects, at which time the remaining funds will be released to unrestricted net assets.

Net assets were released from donor restrictions as follows:

<i>Year ended June 30,</i>	2013	2012
Capital expenditures	\$ —	\$ 38,150
United Way time restricted contributions	294,152	294,878
Time restricted pledges	268,786	215,006
Program operations	407,799	253,943
	\$ 970,737	\$ 801,977

Permanently Restricted

The Organization records its donor restricted endowment funds as permanently restricted net assets. These assets consist of investments held in perpetuity with investment income used to support general operations, the Youth of the Year program and the Eatonville Club operations. Permanently restricted net assets include the principal of endowments that must be maintained permanently and not used up, expended or otherwise exhausted. The Organization's return objective for the endowment fund is low yield based on risk parameters that are also very low to protect the endowment corpus. The amount of funds available for distributions is determined on the basis of a total-return principal and will not be dependent upon income generated through interest or dividends. The funds available for distribution during any one year will be limited to 5 percent of the market value of the corpus, effective December 31 of the given year. Distributions may also be made upon written request of the President, with Board approval.

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

Changes in the Organization's endowment's net assets for the years ended June 30, 2013 and 2012 are as follows:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>
Endowment net assets at June 30, 2011	\$ –	\$ 78,747	\$ 727,665
Interest and dividends	527	20,950	–
Net realized and unrealized loss on investments	(884)	(4,429)	–
Investment fees	(222)	(5,334)	–
Distributions	579	–	–
Endowment net assets at June 30, 2012	–	89,934	727,665
Contributed Support	–	–	32,200
Interest and dividends	383	24,702	–
Net realized and unrealized gain on investments	3,255	54,210	–
Investment fees	(240)	(6,860)	–
Other	–	–	–
Endowment net assets at June 30, 2013	\$ 3,398	\$161,986	\$ 759,865

In June 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”). FUPMIFA establishes statutory law governing Florida not-for-profit corporation's management of investments and is effective for institutional funds existing on or established after July 1, 2012.

The Board of Directors of the Organization has interpreted FUPMIFA 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 Organization classifies as permanently restricted net assets: (a) the original value of the gift 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 FUPMIFA. In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

- (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.

The adoption of FUPMIFA had no impact to the Organization's financial statements.

9. Concentration of Credit Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. All non-interest bearing cash balances were fully insured due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there was no limit to the amount of insurance for eligible accounts. Beginning January 2013, insurance coverage reverted to \$250,000 per depositor at each financial institution, and non-interest bearing cash balances may have again exceeded federally insured limits.

Investments consist primarily of fixed income mutual funds, equity mutual funds and equities. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the current investment strategy is prudent for the long-term welfare of the Organization.

10. Economic Dependency

The Organization earned revenues from Orange County, Florida, which represents 22% and 25% of the Organization's total revenue and support for the years ended June 30, 2013 and 2012, respectively. In addition, during 2013, the Organization earned revenues from the federal government which represented approximately 15% of the Organization's total revenue and support. As such, the Organization is dependent upon the continued support of Orange County, Florida and the federal government to provide funding for the Organization's programs and operations.

Boys & Girls Clubs of Central Florida, Inc.

Notes to Financial Statements

11. Related Party Transactions

In the ordinary course of business, the Organization enters into transactions with other organizations that have individuals who serve on the Organization's Board of Directors. These transactions are made at arm's length. The Organization obtains its general liability and property insurance through a company whose owner is also a member of the Board of Directors. Amounts paid to this company were \$171,813 and \$162,001, for the years ended June 30, 2013 and 2012, respectively. During 2013, the Organization also paid a vendor \$5,190 for office furnishings whose CEO is also a member of the Board of Directors. Details of all related party transactions can be found in Internal Revenue Service Form 990 which the Organization files annually.

12. Return of Unspent Grant Funds

On July 19, 2013, the Organization received a letter from a donor regarding the return of a capital gift made to the Organization in 2008, totaling \$602,341. The gift was made for use in the construction of a downtown Boys & Girls Club facility. Ongoing efforts to find a location, partners and funding for this project have been unsuccessful to-date, but the Organization and the Board of Directors remain committed to this project. The donor requested the return of the funds with the assurance that they are committed to the Organization and urged Boys & Girls Clubs of Central Florida, Inc. to reapply for assistance once a definitive agreement is in place. At this time, the Organization is optimistic that such an agreement will occur in the near term.

The Organization has accrued for the entire amount above as of June 30, 2013, which is included in accounts payable on the statement of financial position and return of unspent grant funds within revenue and support on the statement of activities. The full amount was returned to the donor in October 2013.

13. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to June 30, 2013 as of December 12, 2013, which is the date the financial statements were available to be issued. Subsequent events occurring after December 12, 2013 have not been evaluated by management. No material events have occurred since June 30, 2013 that require recognition or disclosure in the financial statements, except as disclosed in Note 12.