Boys & Girls Clubs of Central Florida, Inc.

Financial Statements

Years Ended June 30, 2014 and 2013

CROSS, FERNANDEZ & RILEY, LLP
Accountants & Consultants

Boys & Girls Clubs of Central Florida, Inc.

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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, 2014 and 2013, 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, 2014 and 2013, 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

November 10, 2014

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Boys & Girls Clubs of Central Florida, Inc.

Statements of Financial Position

June 30,	**2014**	2013
Assets		
Current:		
Cash and cash equivalents	**$ 5,088,358**	$ 5,403,118
Investments (Note 2)	**7,102,145**	5,548,646
Certificates of deposit	**–**	403,852
Grants receivable	**649,510**	1,283,297
Contributions receivable, current portion, net (Note 3)	**1,046,879**	1,168,434
Prepaid expenses	**171,479**	103,954
Deferred compensation investments (Note 5)	**223,480**	189,725
Total current assets	**14,281,851**	14,101,026
Property and equipment, net (Note 4)	**16,065,897**	15,736,244
Other assets:		
Contributions receivable, long term, net (Note 3)	**422,838**	701,670
Other	**53,290**	96,203
Total other assets	**476,128**	797,873
	$ 30,823,876	$ 30,635,143
Liabilities and Net Assets		
Current liabilities:		
Accounts payable (Note 12)	**$ 244,066**	$ 873,668
Accrued compensation	**447,186**	399,908
Deferred revenues	**382,576**	347,399
Deferred compensation liability (Note 5)	**223,480**	189,725
Total current liabilities	**1,297,308**	1,810,700
Commitments and contingencies (Notes 6 and 7)	**–**	–
Net assets (Note 8):		
Unrestricted	**21,533,188**	19,076,533
Temporarily restricted	**7,199,835**	8,988,045
Permanently restricted	**793,545**	759,865
Total net assets	**29,526,568**	28,824,443
	$ 30,823,876	$ 30,635,143

See accompanying notes to financial statements.

Statements of Activities

	2014				2013			
Year ended June 30,	*Unrestricted*	*Temporarily Restricted*	*Permanently Restricted*	*Total*	*Unrestricted*	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Revenues and support:								
Government revenues	**$ 4,175,630**	**$ –**	**$ –**	**$ 4,175,630**	$ 5,245,690	$ –	$ –	$ 5,245,690
Contributions	**2,681,670**	**1,041,617**	**33,680**	**3,756,967**	1,764,921	1,161,672	32,200	2,958,793
In-kind contributions (Note 1)	**2,524,091**	**–**	**–**	**2,524,091**	2,434,075	–	–	2,434,075
United Way	**633,005**	**154,999**	**–**	**788,004**	737,712	253,587	–	991,299
Special events	**880,308**	**–**	**–**	**880,308**	804,444	–	–	804,444
Dues and program services	**619,641**	**–**	**–**	**619,641**	626,080	–	–	626,080
Investment income (Note 2)	**802,088**	**98,988**	**–**	**901,076**	472,773	72,052	–	544,825
Other revenues	**44,245**	**–**	**–**	**44,245**	105,369	–	–	105,369
Return of unspent grant funds (Note 12)	**–**	**–**	**–**	**–**	–	(602,341)	–	(602,341)
Net assets released from restrictions (Note 8)	**3,083,814**	**(3,083,814)**	**–**	**–**	970,737	(970,737)	–	–
Total revenues and support	**15,444,492**	**(1,788,210)**	**33,680**	**13,689,962**	13,161,801	(85,767)	32,200	13,108,234
Expenses:								
Program services	**9,887,505**	–	–	**9,887,505**	10,696,666	–	–	10,696,666
Supporting services:								
Management and general	**1,798,681**	–	–	**1,798,681**	1,773,381	–	–	1,773,381
Fundraising	**1,301,651**	–	–	**1,301,651**	1,070,936	–	–	1,070,936
Total expenses	**12,987,837**	–	–	**12,987,837**	13,540,983	–	–	13,540,983
Change in net assets	**2,456,655**	**(1,788,210)**	**33,680**	**702,125**	(379,182)	(85,767)	32,200	(432,749)
Net assets, beginning of year	**19,076,533**	**8,988,045**	**759,865**	**28,824,443**	19,455,715	9,073,812	727,665	29,257,192
Net assets, end of year	**$21,533,188**	**$ 7,199,835**	**$793,545**	**$29,526,568**	$19,076,533	$8,988,045	$759,865	$28,824,443

See accompanying notes to financial statements.

Boys & Girls Clubs of Central Florida, Inc.

Statements of Cash Flows

Year ended June 30,	**2014**	2013
Cash flows from operating activities:		
Change in net assets	**$ 702,125**	$ (432,749)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**633,756**	633,225
Amortization of pledge discount	**(2,166)**	(14,548)
Provision for uncollectible pledges	**214,636**	214,958
Donated property and equipment	**(106,196)**	(11,700)
Donated stock	**(78,935)**	(70,946)
Net realized and unrealized gains on investments	**(705,054)**	(372,056)
Gain on disposal of fixed assets	**(4,000)**	(10,440)
Cash provided by (used for):		
Grants receivable	**633,787**	(61,145)
Contributions receivable	**187,917**	(444,312)
Prepaid expenses	**(67,525)**	14,402
Other assets	**42,913**	7,469
Accounts payable and accrued expenses	**(582,324)**	566,247
Deferred revenue	**35,177**	73,624
Net cash provided by operating activities	**904,111**	92,029
Cash flows from investing activities:		
Purchase of property and equipment	**(853,213)**	(249,625)
Proceeds from sale of property and equipment	**–**	131,769
Transfers of cash from (to) investments	**–**	42,648
Purchase of investments	**(3,343,064)**	(1,183,951)
Proceeds from sales of investments	**2,977,406**	1,068,661
Net cash used for investing activities	**(1,218,871)**	(190,498)
Net decrease in cash and cash equivalents	**(314,760)**	(98,469)
Cash and cash equivalents, beginning of year	**5,403,118**	5,501,587
Cash and cash equivalents, end of year	**$ 5,088,358**	$ 5,403,118

See accompanying notes to financial statements.

Statements of Functional Expenses

	2014				2013			
		Supporting Services				Supporting Services		
Year ended June 30,	*Program Services*	*Management and General*	*Fundraising*	*Total*	*Program Services*	*Management and General*	*Fundraising*	*Total*
Personnel:								
Salaries	**$4,036,392**	**$ 815,239**	**$ 553,031**	**$ 5,404,662**	$ 4,661,679	$ 748,469	$452,104	$ 5,862,252
Employee benefits	**361,745**	**86,566**	**88,757**	**537,068**	485,687	142,274	80,928	708,889
Payroll taxes	**319,108**	**77,803**	**37,889**	**434,800**	366,073	66,217	31,516	463,806
	4,717,245	**979,608**	**679,677**	**6,376,530**	5,513,439	956,960	564,548	7,034,947
Other:								
Occupancy	**248,886**	**51,088**	**5,580**	**305,554**	337,230	32,401	4,676	374,307
Building repairs and maintenance	**284,353**	**29,895**	**6,719**	**320,967**	236,263	658	–	236,921
Equipment expenses	**194,239**	**55,743**	**27,867**	**277,849**	258,677	39,402	17,798	315,877
Transportation	**334,135**	**30,938**	**11,343**	**376,416**	301,082	18,003	3,218	322,303
Program materials	**912,417**	**14,871**	**121,611**	**1,048,899**	879,340	19,495	102,962	1,001,797
In-kind expenses	**2,062,846**	**21,018**	**334,031**	**2,417,895**	2,014,092	128,751	291,232	2,434,075
Professional fees	**4,000**	**70,500**	**–**	**74,500**	7,385	30,900	–	38,285
Pre-employment fees	**36,659**	**6,194**	**1,375**	**44,228**	30,177	17,376	7,053	54,606
Contract services	**242,538**	**79,121**	**13,548**	**335,207**	275,342	61,065	10,595	347,002
Insurance	**171,812**	**17,734**	**–**	**189,546**	171,652	8,945	–	180,597
Postage, supplies and printing	**40,403**	**18,392**	**22,373**	**81,168**	60,973	18,803	14,750	94,526
Training	**90,415**	**14,479**	**805**	**105,699**	60,472	14,858	2,180	77,510
Dues and subscriptions	**42,340**	**16,639**	**2,297**	**61,276**	29,711	25,495	2,912	58,118
Service charges	**10,997**	**15,001**	**5,929**	**31,927**	18,079	14,168	6,602	38,849
Miscellaneous	**–**	**242,954**	**10,150**	**253,104**	11,158	254,910	3,116	269,184
Capital campaign expenses	**–**	**–**	**57,316**	**57,316**	–	–	39,294	39,294
Total other expenses	**4,676,040**	**684,567**	**620,944**	**5,981,551**	4,691,633	685,230	506,388	5,883,251
Total expenses before depreciation and gain on disposal	**9,393,285**	**1,664,175**	**1,300,621**	**12,358,081**	10,205,072	1,642,190	1,070,936	12,918,198
Depreciation	**494,220**	**138,506**	**1,030**	**633,756**	491,594	141,631	–	633,225
Gain on disposal	**–**	**(4,000)**	**–**	**(4,000)**	–	(10,440)	–	(10,440)
Total expenses	**$9,887,505**	**$1,798,681**	**$1,301,651**	**$12,987,837**	$10,696,666	$1,773,381	$1,070,936	$13,540,983

See accompanying 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.

In-Kind Contributions

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

Year ended June 30,	**2014**	2013
Facilities rent	**$ 1,803,055**	$ 1,843,394
Auction items	**232,990**	194,782
Theme park tickets	**11,359**	20,310
Other	**476,687**	375,589
Total	**$ 2,524,091**	$ 2,434,075

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 years ended June 30, 2014 and 2013, the Organization received approximately $240,000 and $252,000, respectively, of in-kind services consisting mainly of technology and construction services which is reflected in the accompanying financial statements. 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.

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.
- 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. There were no Level 2 or 3 financial assets or liabilities.

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.

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 2013 financial statements to conform to the 2014 presentation.

2. Investments

The Organization's investments consist of the following:

June 30,	**2014**	2013
Level 1:		
Fixed income mutual funds	**$ 3,537,946**	$ 2,793,400
Equity mutual funds	**1,417,080**	650,388
Equities	**2,147,119**	2,104,858
	$ 7,102,145	$ 5,548,646

Year ended June 30,	**2014**	2013
Net realized and unrealized gains on investments	**$ 705,054**	$ 372,056
Dividends and interest	**196,022**	172,769
	$ 901,076	$ 544,825

3. Contributions Receivable

Contributions receivable are due as follows:

June 30,	**2014**	2013
Less than one year	**$ 1,061,613**	$ 1,183,077
One to five years	**672,182**	988,695
	1,733,795	2,171,772
Less: allowance for uncollectible contributions	**(257,869)**	(293,293)
Less: present value discount at 1.63%	**(6,209)**	(8,375)
	$ 1,469,717	$ 1,870,104
Contributions receivable current portion, net	**$ 1,046,879**	$ 1,168,434
Contributions receivable, long term, net	**422,838**	701,670
	$ 1,469,717	$ 1,870,104

4. Property and Equipment

Property and equipment is summarized as follows:

June 30,	*Life*	**2014**	2013
Land	–	**$ 1,049,750**	$ 1,049,750
Buildings and improvements	5-40 yrs.	**17,076,034**	15,711,847
Furniture and equipment	5-10 yrs.	**1,422,508**	1,361,627
Automotive equipment	5 yrs.	**357,741**	344,741
Construction in progress	–	**–**	541,577
		19,906,033	19,009,542
Less: accumulated depreciation		**(3,840,136)**	(3,273,298)
		$ 16,065,897	$ 15,736,244

During fiscal year 2014, construction of the Brevard Club was completed at a total cost of $1,347,782. Club operations commenced on December 16, 2013.

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, 2014 and 2013, 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, 2014 and 2013. The amount of restricted investments held for the plan and recorded as deferred compensation liability at June 30, 2014 and 2013 were $223,480 and $189,725, respectively.

6. Commitments and Contingencies

Operating Leases

The Organization has entered into non-cancelable leases for office and program space under agreements with maturity dates of one year or less. Rental expense for the years ended June 30, 2014 and 2013 was $13,037 and $52,239, 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.

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, 2014 and 2013 were $198,102 and $303,070, 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:

June 30,	**2014**	2013
Property and equipment	**$ 16,065,897**	$ 15,736,244
Board-designated capital replacement reserve	**1,371,438**	1,250,044
Undesignated net assets	**4,095,853**	2,090,245
	$ 21,533,188	$ 19,076,533

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

June 30,	**2014**	2013
Capital expenditures	**$ 5,126,827**	$ 6,337,043
United Way time restricted contributions	**154,999**	253,587
Time restricted pledges	**1,078,325**	1,125,517
Program operations	**839,684**	1,271,898
	$ 7,199,835	$ 8,988,045

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:

Year ended June 30,	**2014**	2013
Capital expenditures	**$ 1,347,782**	$ –
United Way time restricted contributions	**241,564**	294,152
Time restricted pledges	**447,956**	268,786
Program operations	**1,046,512**	407,799
	$ 3,083,814	$ 970,737

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.

Changes in the Organization's endowment's net assets for the years ended June 30, 2014 and 2013 are as follows:

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*
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)	–
Endowment net assets at June 30, 2013	**3,398**	**161,986**	**759,865**
Contributed support	**–**	**–**	**33,680**
Interest and dividends	**304**	**22,824**	**–**
Net realized and unrealized gain on investments	**4,653**	**83,154**	**–**
Investment fees	**(330)**	**(6,990)**	**–**
Endowment net assets at June 30, 2014	**$8,025**	**$260,974**	**$793,545**

The Board of Directors of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act ("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:

(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.

9. Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, which include checking and money market accounts placed with federally insured financial institutions. Such accounts may at times exceed federally insured limits. The Organization has not experienced any losses on such accounts.

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 14% and 22% of the Organization's total revenue and support for the years ended June 30, 2014 and 2013, respectively. In addition, during 2014 and 2013, the Organization earned revenues from the federal government which represented approximately 12% and 15%, respectively, 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.

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 $290,182 and $236,122, for the years ended June 30, 2014 and 2013, respectively. During 2014, the Organization also paid a vendor $99,180 for janitorial services 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 the Organization 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 accrued the entire amount above as of June 30, 2013, which was 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, 2014 as of November 10, 2014, which is the date the financial statements were available to be issued. Subsequent events occurring after November 10, 2014 have not been evaluated by management. No material events have occurred since June 30, 2014 that require recognition or disclosure in the financial statements.