

**KIPS BAY BOYS AND GIRLS  
CLUB, INC.**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**SEPTEMBER 30, 2010**

**KIPS BAY BOYS AND GIRLS CLUB, INC.**

**TABLE OF CONTENTS**

**Independent Auditor's Report**

**Exhibit**

**A - Balance Sheet**

**B - Statement of Activities**

**C - Statement of Functional Expenses**

**D - Statement of Cash Flows**

**Notes to Financial Statements**



## Independent Auditor's Report

### Board of Trustees Kips Bay Boys and Girls Club, Inc.

We have audited the accompanying balance sheet of Kips Bay Boys and Girls Club, Inc. as of September 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Kips Bay Boys and Girls Club, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Kips Bay Boys and Girls Club, Inc.'s 2009 financial statements and, in our report dated February 8, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kips Bay Boys and Girls Club, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kips Bay Boys and Girls Club, Inc. as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Loeb & Troper LLP*

February 10, 2011

**KIPS BAY BOYS AND GIRLS  
CLUB, INC.**

**BALANCE SHEET**

**SEPTEMBER 30, 2010  
(With Summarized Financial Information  
for September 30, 2009)**

|   | <u>2010</u>          | <u>2009</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>                           |                      |                      |
| Cash and cash equivalents               | \$ 27,293            | \$ 539,017           |
| Investments (Note 3)                    | 8,640,332            | 10,651,157           |
| Grants receivable                       | 1,253,798            | 426,813              |
| Contributions receivable - net (Note 4) | 901,969              | 928,611              |
| Other receivables                       | 85,451               | 94,725               |
| Prepaid expenses and other assets       | 270,711              | 123,890              |
| Fixed assets - net (Note 5)             | 20,638,481           | 20,166,173           |
| Limited use assets (Note 3)             | 29,405               | 2,314,888            |
|   | <u>31,847,440</u>    | <u>35,245,274</u>    |
| Total assets                            | <u>\$ 31,847,440</u> | <u>\$ 35,245,274</u> |
| <b>LIABILITIES AND NET ASSETS</b>       |                      |                      |
| Accounts payable and accrued expenses   | \$ 537,184           | \$ 402,626           |
| Accounts payable - construction         |                      | 2,906,349            |
| Refundable advances                     | 324,873              | 323,229              |
| Deferred revenue                        | 558,156              | 34,821               |
| Loan payable (Note 6)                   | 21,887               | 26,666               |
|   | <u>1,442,100</u>     | <u>3,693,691</u>     |
| Total liabilities                       | <u>1,442,100</u>     | <u>3,693,691</u>     |
| Net assets (Exhibit B)                  |                      |                      |
| Unrestricted                            |                      |                      |
| Undesignated                            | 731,754              | 1,590,968            |
| Board designated (Note 7)               | 7,590,885            | 11,273,143           |
| Plant fund                              | 20,616,593           | 17,233,158           |
|   | <u>28,939,232</u>    | <u>30,097,269</u>    |
| Total unrestricted net assets           | <u>28,939,232</u>    | <u>30,097,269</u>    |
| Temporarily restricted (Note 8)         | 1,066,108            | 1,054,314            |
| Permanently restricted (Note 8)         | 400,000              | 400,000              |
|   | <u>30,405,340</u>    | <u>31,551,583</u>    |
| Total net assets                        | <u>30,405,340</u>    | <u>31,551,583</u>    |
| Total liabilities and net assets        | <u>\$ 31,847,440</u> | <u>\$ 35,245,274</u> |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

KIPS BAY BOYS AND GIRLS  
CLUB, INC.

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2010

(With Summarized Financial Information  
for the Year Ended September 30, 2009)

|  | Unrestricted |                     |               | Total     | Temporarily<br>Restricted | Permanently<br>Restricted | Total       |             |
|--|--------------|---------------------|---------------|-----------|---------------------------|---------------------------|-------------|-------------|
|  | Undesignated | Board<br>Designated | Plant<br>Fund |           |                           |                           | 2010        | 2009        |
| Operating revenues and other support                   |              |                     |               |           |                           |                           |             |             |
| Contributions  |              |                     |               |           |                           |                           |             |             |
| Corporate support                                      | \$ 35,342    |                     | \$ 35,342     |           |                           | \$                        | \$ 99,156   | \$ 132,341  |
| Foundations  | 716,745      |                     | 716,745       | 63,794    |                           |                           | 841,245     | 845,747     |
| Individuals  | 153,658      |                     | 153,658       | 124,500   |                           |                           | 485,386     | 229,990     |
| Special events (Note 9)                                | 584,869      |                     | 584,869       | 331,728   |                           |                           | 584,869     | 1,754,584   |
| Direct costs of special events (Note 9)                | (178,075)    |                     | (178,075)     |           |                           |                           | (178,075)   | (405,577)   |
| Government support                                     | 3,846,153    |                     | 3,846,153     |           |                           |                           | 3,846,153   | 3,426,032   |
| Camp fees and other activities                         |              |                     |               |           |                           |                           |             |             |
| Camp fees and other support                            | 327,142      |                     | 327,142       |           |                           |                           | 327,142     | 399,254     |
| Camp contributions                                     | 57,259       |                     | 57,259        |           |                           |                           | 57,259      | 48,065      |
| Membership dues  | 17,307       |                     | 17,307        |           |                           |                           | 17,307      | 10,722      |
| Rental income  | 109,092      |                     | 109,092       |           |                           |                           | 109,092     | 147,653     |
| Miscellaneous  | 20,507       |                     | 20,507        |           |                           |                           | 20,507      | 20,679      |
| Net assets released from program restrictions (Note 8) | 594,604      |                     | 594,604       | (594,604) |                           |                           |             |             |
| Total operating revenues and other support             | 6,284,603    |                     | 6,284,603     | (74,582)  |                           |                           | 6,210,021   | 6,609,470   |
| Expenses (Exhibit C)                                   |              |                     |               |           |                           |                           |             |             |
| Program services                                       |              |                     |               |           |                           |                           |             |             |
| Social recreation                                      |              |                     |               |           |                           |                           |             |             |
| Cultural arts  | 210,446      |                     | 210,446       | 61,239    |                           |                           | 271,685     | 228,217     |
| Education and club services                            | 204,952      |                     | 204,952       | 61,239    |                           |                           | 266,191     | 223,596     |
| Camp   | 4,551,557    |                     | 4,551,557     | 244,959   |                           |                           | 4,796,496   | 4,532,886   |
| Fitness and health                                     | 195,812      |                     | 195,812       | 61,239    |                           |                           | 257,051     | 235,964     |
| Senior center  | 376,885      |                     | 376,885       | 61,239    |                           |                           | 438,124     | 399,030     |
| Total program services                                 | 5,865,191    |                     | 5,865,191     | 489,915   |                           |                           | 6,353,106   | 301,115     |
| Supporting services                                    |              |                     |               |           |                           |                           |             |             |
| Administration   | 1,085,799    |                     | 1,085,799     | 10,207    |                           |                           | 1,096,006   | 1,152,166   |
| Fund raising   | 1,014,591    |                     | 1,014,591     | 10,206    |                           |                           | 1,024,797   | 1,086,612   |
| Total supporting services                              | 2,100,390    |                     | 2,100,390     | 20,413    |                           |                           | 2,120,803   | 2,238,778   |
| Total expenses   | 7,965,581    |                     | 7,965,581     | 510,328   |                           |                           | 8,475,909   | 8,159,586   |
| Change in net assets before investment income          | (1,678,978)  |                     | (1,678,978)   | (510,328) |                           |                           | (2,265,888) | (1,550,116) |
|  |              |                     |               |           |                           |                           |             | (74,582)    |

-continued-

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2010

(With Summarized Financial Information  
for the Year Ended September 30, 2009)

|  | Unrestricted   |                  |               | Total         | Total                  |                        |               |
|--|----------------|------------------|---------------|---------------|------------------------|------------------------|---------------|
|  | Undesignated   | Board Designated | Plant Fund    |               | Temporarily Restricted | Permanently Restricted | 2010          |
| Investment income  |                |                  |               |               |                        |                        |               |
| Interest and dividends (Note 3)                                    | \$             | 157,842          | \$            | 157,842       | \$                     | 210,160                | \$ 111,347    |
| Unrealized gain on investments                                     |                | 641,780          |               | 641,780       |                        | 641,780                | 445,739       |
| Realized loss on investments                                       |                | (222,822)        |               | (222,822)     |                        | (222,822)              | (514,673)     |
| Total investment income  |                | 576,800          |               | 576,800       |                        | 629,118                | 42,413        |
| Change in net assets before other changes                          | \$ (1,678,978) | 576,800          | \$ (510,328)  | (1,612,506)   | (22,264)               | (1,634,770)            | (1,507,703)   |
| Other changes in net assets  | 488,527        |                  |               | 488,527       |                        | 488,527                | 7,885,535     |
| Construction grant revenue (Note 1)                                |                |                  |               |               |                        |                        |               |
| Transfer from board-designated fund to support operations (Note 8) | 3,225,000      | (3,225,000)      |               |               |                        |                        |               |
| Reclassification (Note 8)  |                | (34,058)         |               | (34,058)      | 34,058                 |                        |               |
| Capital acquisitions   | (2,888,984)    | (1,000,000)      | 3,888,984     |               |                        |                        |               |
| Principal payments on loan   | (4,779)        | 4,779            |               |               |                        |                        |               |
| Change in net assets (Exhibit D)                                   | (859,214)      | (3,682,258)      | 3,383,435     | (1,158,037)   | 11,794                 | (1,146,243)            | 6,377,832     |
| Net assets - beginning of year                                     | 1,590,968      | 11,273,143       | 17,233,158    | 30,097,269    | 1,054,314              | 31,551,583             | 25,173,751    |
| Net assets - end of year (Exhibit A)                               | \$ 731,754     | \$ 7,590,885     | \$ 20,616,593 | \$ 28,939,232 | \$ 1,066,108           | \$ 30,405,340          | \$ 31,551,583 |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

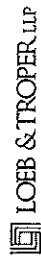
YEAR ENDED SEPTEMBER 30, 2010

(With Summarized Financial Information for the Year Ended September 30, 2009)

|  | Program Services  |               |                             |            | Supporting Services |               |              | Total          |              |                                |              |              |
|--|-------------------|---------------|-----------------------------|------------|---------------------|---------------|--------------|----------------|--------------|--------------------------------|--------------|--------------|
|  | Social Recreation | Cultural Arts | Education and Club Services | Camp       | Fitness and Health  | Senior Center | Total        | Administration | Fund Raising | Direct Costs of Special Events | 2010         | 2009         |
| Salaries   | \$ 115,126        | \$ 66,690     | \$ 2,718,435                | \$ 86,304  | \$ 183,445          | \$ 141,661    | \$ 3,311,661 | \$ 792,835     | \$ 589,572   | \$                             | \$ 4,694,068 | \$ 4,548,796 |
| Payroll taxes  | 13,870            | 9,535         | 271,299                     | 9,748      | 21,836              | 11,094        | 337,432      | 45,185         | 59,092       |                                | 441,709      | 404,967      |
| Employee benefits  | 16,328            | 2,688         | 430,277                     | 746        | 34,914              | 39,665        | 524,618      | 118,401        | 80,855       |                                | 723,874      | 765,912      |
| Total salaries and related expenses  | 145,324           | 78,963        | 3,420,011                   | 96,798     | 240,195             | 192,420       | 4,173,711    | 956,421        | 729,519      |                                | 5,859,651    | 5,719,675    |
| Professional fees  |                   | 5,590         | 34,664                      | 1,822      | 1,613               | 10,370        | 54,059       | 49,586         | 77,286       |                                | 126,872      | 123,789      |
| Supplies   | 2,744             | 26,192        | 134,589                     | 10,181     | 46,573              | 21,569        | 241,848      | 26,328         | 15,891       | \$ 3,695                       | 287,762      | 313,972      |
| Conferences, meetings and dues   |                   |               | 37,387                      |            |                     | 200           | 37,587       | 1,120          | 1,304        |                                | 40,011       | 67,339       |
| Food   | 1,329             | 10,672        | 240,719                     | 6,980      | 1,280               | 91,438        | 352,418      | 1,167          | 1,025        | 14,338                         | 368,968      | 440,437      |
| Staff training   |                   |               | 5,266                       | 45         | 386                 |               | 5,697        | 1,169          |              |                                | 6,866        | 12,291       |
| Postage  |                   | 414           | 3,406                       |            | 116                 | 65            | 4,001        | 2,575          | 58,712       |                                | 61,287       | 65,624       |
| Printing and publications  | 502               | 1,182         | 35,122                      |            | 502                 |               | 37,308       | 6,306          | 44,742       | 4,200                          | 88,556       | 287,003      |
| Entertainment  |                   |               |                             |            |                     |               |              |                |              |                                | 4,200        | 7,450        |
| Camp expenses  |                   |               |                             | 9,995      |                     |               |              |                |              |                                | 9,995        | 10,967       |
| Scholarships   |                   |               | 132,848                     |            |                     |               | 132,848      |                |              |                                | 132,848      | 147,144      |
| Registration fees  | 5                 | 20            | 6,684                       | 15         | 7,910               |               | 14,634       | 355            | 50           |                                | 15,039       | 22,544       |
| Transportation   |                   | 11,660        | 81,530                      | 33,439     | 5,372               | 2,321         | 134,322      | 4,387          | 6,891        |                                | 145,600      | 105,657      |
| Telephone  | 906               | 983           | 25,052                      | 929        | 1,286               | 1,160         | 30,316       | 2,629          | 9,697        |                                | 42,642       | 48,678       |
| Occupancy  | 46,132            | 46,132        | 122,114                     | 10,855     | 46,132              |               | 271,365      | 4,410          | 6,897        | 155,822                        | 438,494      | 395,377      |
| Security   |                   |               |                             |            |                     |               |              |                | 33,125       |                                | 33,125       | 62,793       |
| Repairs and maintenance  | 5,056             | 12,255        | 134,225                     | 14,287     | 11,720              | 3,943         | 181,486      | 11,557         | 9,857        |                                | 202,900      | 184,983      |
| Credit card and other fees   | 1,544             | 961           | 18,097                      | 1,637      | 1,383               | 73            | 23,695       | 10,163         | 13,791       |                                | 47,649       | 59,570       |
| Insurance  | 6,904             | 9,928         | 112,038                     | 8,829      | 9,928               |               | 147,627      | 5,805          | 5,804        |                                | 159,236      | 170,760      |
| Depreciation   | 61,239            | 61,239        | 244,959                     | 61,239     | 61,239              |               | 489,915      | 10,207         | 10,206       |                                | 510,328      | 304,426      |
| Interest expense   |                   |               |                             |            |                     |               |              | 1,821          |              |                                | 1,821        | 2,068        |
| Investment fees  |                   |               |                             |            |                     |               |              | 86,420         |              |                                | 86,420       | 151,761      |
| Miscellaneous  |                   |               | 7,785                       |            | 2,489               |               | 10,274       |                |              |                                | 10,274       | 12,616       |
| Total expenses   | 271,685           | 266,191       | 4,796,496                   | 257,051    | 438,124             | 323,559       | 6,353,106    | 1,182,426      | 1,024,797    | 178,075                        | 8,738,404    | 8,716,924    |
| Less expenses deducted directly from revenues                                  |                   |               |                             |            |                     |               |              |                |              |                                |              |              |
| Direct costs of special events   |                   |               |                             |            |                     |               |              |                |              | (178,075)                      | (178,075)    | (405,577)    |
| Investment fees  |                   |               |                             |            |                     |               |              | (86,420)       |              |                                | (86,420)     | (151,761)    |
| Total expenses reported by function on the statement of activities (Exhibit B) | \$ 271,685        | \$ 266,191    | \$ 4,796,496                | \$ 257,051 | \$ 438,124          | \$ 323,559    | \$ 6,353,106 | \$ 1,096,006   | \$ 1,024,797 | \$ -                           | \$ 2,120,803 | \$ 8,159,586 |

See independent auditor's report.

The accompanying notes are an integral part of these statements.



LOEB & TROPER LLP

KIPS BAY BOYS AND GIRLS  
CLUB, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

|  | <u>2010</u>        | <u>2009</u>        |
|--|--------------------|--------------------|
| Cash flows from operating activities   |                    |                    |
| Change in net assets (Exhibit B)   | \$ (1,146,243)     | \$ 6,377,832       |
| Adjustments to reconcile change in net assets to<br>net cash provided (used) by operating activities |                    |                    |
| Donated securities   | (121,540)          | (64,760)           |
| Net realized and unrealized loss (gain) on investments   | (418,958)          | 68,934             |
| Depreciation   | 510,328            | 304,426            |
| Decrease (increase) in assets  |                    |                    |
| Grants receivable  | (826,985)          | 336,978            |
| Contributions receivable   | 26,642             | 627,661            |
| Other receivables  | 9,274              | 15,067             |
| Prepaid expenses and other assets  | (146,821)          | (565)              |
| Increase (decrease) in liabilities   |                    |                    |
| Accounts payable and accrued expenses  | 134,558            | (320,252)          |
| Refundable advances  | 1,644              | 75,541             |
| Deferred revenue   | 523,335            | (37,161)           |
| Net cash provided (used) by operating activities   | <u>(1,454,766)</u> | <u>7,383,701</u>   |
| Cash flows from investing activities   |                    |                    |
| Purchase of investments  | (6,292,904)        | (2,388,455)        |
| Proceeds from sales of investments   | 8,844,227          | 3,277,506          |
| Fixed asset acquisitions   | (295,844)          | (23,386)           |
| Construction costs   | (3,593,141)        | (9,437,181)        |
| Decrease in cash whose use is limited  | 2,285,483          | 1,320,713          |
| Net cash provided (used) by investing activities   | <u>947,821</u>     | <u>(7,250,803)</u> |
| Cash flows from financing activities   |                    |                    |
| Principal payments on loan   | <u>(4,779)</u>     | <u>(4,532)</u>     |
| Net increase (decrease) in cash  | (511,724)          | 128,366            |
| Cash - beginning of year   | <u>539,017</u>     | <u>410,651</u>     |
| Cash - end of year   | <u>\$ 27,293</u>   | <u>\$ 539,017</u>  |
| Supplemental disclosure of cash flow information   |                    |                    |
| Cash paid during the year for interest   | <u>\$ 1,821</u>    | <u>\$ 2,068</u>    |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

KIPS BAY BOYS AND GIRLS CLUB, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

**NOTE 1 - NATURE OF ORGANIZATION**

Kips Bay Boys and Girls Club, Inc. (the Club) was established for the purpose of providing services to youth. These services include social and cultural activities, educational and personal services, fitness, health and camp activities. In addition to youth services, the Club also runs a program servicing senior citizens. The Club is supported primarily through contributions, government grants, special events and investment income.

Kips Bay Boys and Girls Club, Inc. is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of presentation* - The financial statements are prepared on the accrual basis of accounting.

*Measure of operations* - The Club includes in its definition of measure of operations (performance indicator) all revenues and expenses associated with youth and senior services. Investment income, construction grant revenue and interfund transfers are not included in the performance indicator.

*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 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.

*Cash and cash equivalents* - Cash and cash equivalents represent highly liquid assets with maturities when acquired of less than three months. Substantially all of the Club's cash and cash equivalents are on deposit at financial institutions and, at times, may exceed federally insured limits.

*Investments* - Investments are recorded at fair value. Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the Club's balance sheet and statement of activities.

*Investment fees* - Fees have been netted against interest and dividends in the statement of activities.

-continued-

## KIPS BAY BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Grants receivable* - Government grants receivable are recorded when services are rendered and the Club has a contract for services. Interest is not charged or accrued on outstanding receivables.

*Contributions receivable* - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Interest is not charged or accrued on outstanding receivables.

*Allowance for doubtful accounts* - The Club has determined that no allowance for uncollectible accounts for contribution and government grants receivable is necessary as of September 30, 2010. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

*Fixed assets* - Fixed assets are stated at cost. Items with a cost of \$1,000 and an estimated useful life of more than one year are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

*Limited use assets* - Limited use assets represent escrow deposits for construction. Escrow deposits are held by a third party, and requests for use of the advances are submitted to the escrow holder.

*Accounts payable - construction* - Accounts payable - construction represents outstanding costs relating to current construction contracts.

*Refundable advances* - Advance payments from government agencies that are not yet earned are recorded as liabilities until earned.

*Deferred revenue* - Rental payments received in advance for future periods not yet earned by the Club are deferred until earned.

-continued-

## KIPS BAY BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Net assets* - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. In addition, resources which are set aside for board-designated purposes are unrestricted. Temporarily restricted net assets are those whose use by the Club has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Club in perpetuity.

*Contributions* - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 reported in the statement of activities as net assets released from restrictions.

*Government support* - Expense-based grants are recognized as allowable expenses are incurred. Performance-based grants are recognized as milestones are achieved. Such revenues are subject to audit by the granting agencies. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

*Rental income* - Rental income is largely for the use of the Club's facilities by other not-for-profit agencies, or for the use of facilities on their New York City Housing Authority (NYCHA) site by NYCHA residents. Revenues are recognized as rentals become due. All leases are short-term (less than one year) operating leases, and no current contracts extend beyond the fiscal year end.

*Sales tax* - Sales tax from special events are collected and remitted to the appropriate taxing authority.

*Functional allocation of expenses* - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Summarized financial information* - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2009, from which the summarized information was derived.

-continued-

## KIPS BAY BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fair Value Measurements - Fair Value Measurements and Disclosures*, ASC Topic 820, establishes a framework for measuring fair value. The framework provides 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). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Club has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2010.

*Money market funds, common stock and fixed income* - Valued at the closing price reported on the active market on which the individual securities are traded.

*Managed funds and limited partnerships* - Investments in limited partnerships and managed funds are stated at fair value as determined in good faith by the General Partner in accordance with the terms of the Partnership Agreement and by the fund managers in accordance with the terms of the managed funds agreement.

-continued-

## KIPS BAY BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Club believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

*Uncertainty in income taxes* The Club has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending September 30, 2007 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through February 10, 2011, which is the date the financial statements were available to be issued.

-continued-

## KIPS BAY BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

## NOTE 3 - INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of September 30, 2010:

|                      | Quoted<br>Market Prices<br>(Level 1) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total               |
|----------------------|--------------------------------------|--|---------------------|
| Money market funds   | \$ 370,812                           | \$ -   | \$ 370,812          |
| Common stock         |                                      |  |                     |
| Small cap growth     | 4,576                                | -  | 4,576               |
| Mid cap blend        | 15,914                               | -  | 15,914              |
| Mid cap value        | 61,700                               | -  | 61,700              |
| Mid cap growth       | 97,213                               | -  | 97,213              |
| Large cap blend      | 16,981                               | -  | 16,981              |
| Large cap value      | 182,125                              | -  | 182,125             |
| Large cap growth     | 368,963                              | -  | 368,963             |
| Emerging markets     | 203,679                              | -  | 203,679             |
| International equity | 692,533                              | -  | 692,533             |
| Fixed income         | 4,732,768                            | -  | 4,732,768           |
| Managed funds        | -                                    | 1,330,112  | 1,330,112           |
| Limited partnerships | -                                    | 562,956  | 562,956             |
|                      | <hr/>                                | <hr/>  | <hr/>               |
| Total investments    | 6,747,264                            | 1,893,068  | 8,640,332           |
| Limited use assets   |                                      |  |                     |
| Money market funds   | 29,405                               | -  | 29,405              |
|                      | <hr/>                                | <hr/>  | <hr/>               |
| Total                | <u>\$ 6,776,669</u>                  | <u>\$ 1,893,068</u>                                | <u>\$ 8,669,737</u> |

Investment fees of \$86,420 have been netted against interest and dividends.

-continued-

## KIPS BAY BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

## NOTE 3 - INVESTMENTS (continued)

A summary of significant and unobservable inputs (Level 3) for 2010 is as follows:

|   |                     |
|---|---------------------|
| Balance, beginning of year  | \$ 1,688,581        |
| Purchases   | 76,000              |
| Unrealized gain relating to instruments<br>still held at the reporting date | 155,765             |
| Investment fees   | <u>(27,278)</u>     |
| Balance, end of year  | <u>\$ 1,893,068</u> |

Level 3 Investments

|                        | <u>Notes</u> | <u>Fair Value</u> | <u>Unfunded<br/>Commitments</u> | <u>Redemption<br/>Frequency</u> | <u>Redemption<br/>Notice<br/>Period</u> |
|------------------------|--------------|-------------------|---------------------------------|---------------------------------|---|
| Managed<br>funds       | (1)          | \$ 1,330,112      | None                            | Semiannual                      | 90 days                                 |
| Limited<br>partnership | (2)          | 562,956           | \$ 199,099                      | N/A                             | N/A                                     |

(1) The Managed Funds is designed for U.S. tax-exempt investors (including endowments, foundations and retirement plans). The Fund's objective is to earn attractive rates of return by allocating assets among a variety of managers. The Fund seeks to protect capital in down markets, earn attractive absolute returns in strong markets and outperform broad equity market returns at a lower risk level over a full market cycle.

(2) The Limited Partnership does not have a specific redemption provision. Capital is returned to investors when companies are exiting either through a sale or IPO. The Limited Partnership invests in a portfolio of private equity funds that focus on clean technologies, primarily comprised of domestic venture capital funds.

Subsequent to year end, the Club liquidated the managed fund, less 5% retained by the fund until final settlement.

-continued-

## KIPS BAY BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

## NOTE 4 - CONTRIBUTIONS RECEIVABLE

The contributions have been discounted over the payment period using a discount rate of 3%. Contributions receivable are due as follows:

|                                |    |                 |
|--------------------------------|----|-----------------|
| 2010-2011                      | \$ | 200,000         |
| 2011-2012                      |    | 100,000         |
| 2012-2013                      |    | 100,000         |
| 2013-2014                      |    | 100,000         |
| 2014 and thereafter            |    | <u>500,000</u>  |
|                                |    | 1,000,000       |
| Less discount to present value |    | <u>(98,031)</u> |
|                                | \$ | <u>901,969</u>  |

## NOTE 5 - FIXED ASSETS

|                                    | <u>Cost</u>          | <u>Accumulated<br/>Depreciation</u> | <u>Net</u>           | <u>Estimated<br/>Useful Lives</u> |
|------------------------------------|----------------------|-------------------------------------|----------------------|-----------------------------------|
| Land                               | \$ 47,241            |                                     | \$ 47,241            |                                   |
| Land improvements                  | 629,567              | \$ 527,909                          | 101,658              | 10-20 years                       |
| Clubhouse buildings                | 22,496,911           | 3,028,598                           | 19,468,313           | 50 years                          |
| Clubhouse building<br>improvements | 839,128              | 589,168                             | 249,960              | 3-10 years                        |
| Swimming pool                      | 927,644              | 579,941                             | 347,703              | 50 years                          |
| Equipment                          | 1,064,238            | 711,984                             | 352,254              | 5-10 years                        |
| Automobiles                        | 125,310              | 103,419                             | 21,891               | 4 years                           |
| Furniture and fixtures             | 376,954              | 352,656                             | 24,298               | 5-10 years                        |
| Computers                          | <u>412,935</u>       | <u>387,772</u>                      | <u>25,163</u>        | 3-5 years                         |
|                                    | <u>\$ 26,919,928</u> | <u>\$ 6,281,447</u>                 | <u>\$ 20,638,481</u> |                                   |

-continued-

## KIPS BAY BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

## NOTE 6 - LOAN PAYABLE

During 2008, the Club financed the purchase of a vehicle through GMAC Financial Services. Interest is charged at a rate of 7.25%. The loan is due on March 10, 2012. The initial loan was \$33,303. The balance of the loan as of September 30, 2010 is \$21,887 and is secured by the vehicle.

The future principal payments are as follows:

|      |                  |
|------|------------------|
| 2011 | \$ 5,183         |
| 2012 | <u>16,704</u>    |
|      | \$ <u>21,887</u> |

## NOTE 7 - BOARD-DESIGNATED FUND

The Board of Trustees has designated certain unrestricted net assets for long-term investment for support of operations, capital acquisitions, and scholarships. The Club is authorized to transfer principal amounts of the designated funds to current operations on the basis of management's evaluation of operating needs. Any additions to or transfers from the designated funds to current operations are required to be ratified by the Board of Trustees. As of September 30, 2010, the total designated funds were \$7,590,885.

## NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS

Temporarily restricted net assets are available for the following purposes:

|                   |                     |
|-------------------|---------------------|
| Dental clinic     | \$ 49,531           |
| Scholarships      | 99,608              |
| Sports Programs   | 15,000              |
| Coudert Clubhouse | <u>901,969</u>      |
|                   | \$ <u>1,066,108</u> |

-continued-

## KIPS BAY BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

**NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS (continued)**

During 2010, net assets were released from donor restrictions by incurring expenditures satisfying the following restricted purposes:

|   |                   |
|---|-------------------|
| Coudert Clubhouse                       | \$ 331,760        |
| Dental clinic                           | 1,753             |
| Performing arts program                 | 53,300            |
| Scholarships                            | 81,297            |
| Sports programs                         | 16,500            |
| Day for Kids Program                    | 2,000             |
| Educational and club services (program) | <u>107,994</u>    |
| Total satisfaction of restrictions      | <u>\$ 594,604</u> |

*General* - The Club's endowment consists of individual donor-restricted and board-designated endowment funds established to support activities of the organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

*Interpretation of relevant law* - The Board of Trustees of the Club follows New York State guidelines under the Uniform Management of Institutional Funds Act (UMIFA). UMIFA provides that the governing board may appropriate for expenditure the uses and purposes for which the endowment fund was established, including how much of the net appreciation, both realized and unrealized, of the fair value of the assets of the endowment to be added over the historical value of the fund that is considered prudent.

Effective September 17, 2010, New York State modified its laws governing the management and investment of charitable gifts by adopting the Uniform Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Club is now governed by the NYPMIFA spending policy, which establishes a maximum spending limit of 7%.

-continued-

## KIPS BAY BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS AND  
ENDOWMENTS (continued)*Return Objectives and Strategies Employed*

The objective of the Club is to maintain the principal of permanently restricted endowment funds at the original amount designated by the donor, and to enhance the amount of board designated endowment funds consistent with each fund's individual drawdown policies. The investment policy to achieve this objective is to employ investment practices that emphasize long-term investment fundamentals that achieve annual total returns commensurate with established market benchmarks and limit risk of loss to that of commonly used indices, while seeking to grow principal values to outpace inflation and to generate annual income to enhance total return. To help mitigate performance volatility, the organization employs the principles of asset allocation and sector diversification.

*Spending Policy*

All income earned above the corpus is temporarily restricted, and is subject to the Board's spending policies and annual appropriations. Drawdowns from the income associated with the permanently restricted account are calculated based on the account balance as of April 1 (restricted to scholarships for the school year following the calculation date). 5% of the permanently restricted net asset balance, plus 0% of the first \$20,000 of unappropriated income, plus 20% of the remaining unappropriated income are allocated for available spending, provided that the permanently restricted corpus is not invaded. These funds are then isolated into money market/CD equivalents for August and December transfers to the Club's operating funds to help fund scholarships. Drawdowns from the board designated endowments are calculated to balance the Club's revenues versus expenses forecast six months ahead. Board designated scholarship endowment drawdowns are based on account balances at April 1 for the next fiscal year, and 20% of the account balance is isolated and transferred in the same manner as the permanently restricted endowments.

-continued-

## KIPS BAY BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS AND  
ENDOWMENTS (continued)Changes in Endowment Net Assets for the Year Ended September 30, 2010

|   | Unrestricted -<br>Board<br>Designated | Temporarily<br>Restricted -<br>Scholarships | Permanently<br>Restricted -<br>Scholarships |
|---|---------------------------------------|---|---|
| Endowment net assets, beginning of year | \$ 11,273,143                         |   | \$ 400,000                                  |
| Reclassification                        | (34,058)                              | \$ 34,058                                   |   |
| Interest and dividends (net of fees)    | 157,842                               | 52,318                                      |   |
| Gains on investments                    | 418,958                               |   |   |
| Appropriations                          |                                       | (14,473)                                    |   |
| Expenditures                            | <u>(4,225,000)</u>                    |   |   |
| Endowment net assets, end of year       | <u>\$ 7,590,885</u>                   | <u>\$ 71,903</u>                            | <u>\$ 400,000</u>                           |

\$34,058 has been reclassified from the unrestricted board designated fund to the temporarily restricted fund to conform to the donor's intent.

## NOTE 9 - SPECIAL EVENTS

|                     | Gross<br>Proceeds | Direct<br>Costs*  | Indirect<br>Costs | Net<br>Proceeds  |
|---------------------|-------------------|-------------------|-------------------|------------------|
| Showhouse           | \$ 26,843         | \$ 6,700          | \$ 301,173        | \$ (281,030)     |
| Golf Committee      | 188,170           | 95,469            | 6,132             | 86,569           |
| Summer cruise       | 84,185            | 35,500            | 12,277            | 36,408           |
| Yankees event       | 82,384            | 11,376            | 5,187             | 65,821           |
| Pop Up Shop         | 76,678            | 4,153             | 24,323            | 48,202           |
| Board of Managers   | 49,705            | 19,011            | 4,248             | 26,446           |
| Summer Soiree       | 31,475            |                   | 3,988             | 27,487           |
| House tour          | 22,050            | 898               | 2,108             | 19,044           |
| Doyle event         | 13,879            | 1,463             | 906               | 11,510           |
| David Barrett event | <u>9,500</u>      | <u>3,505</u>      | <u>92</u>         | <u>5,903</u>     |
|                     | <u>\$ 584,869</u> | <u>\$ 178,075</u> | <u>\$ 360,434</u> | <u>\$ 46,360</u> |

\* Direct costs are limited to expenses that provide benefits to contributors.

-continued-

**KIPS BAY BOYS AND GIRLS CLUB, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2010****NOTE 10 - PENSION PLAN**

The Club participates in the Pension Trust of the Boys and Girls Club of America Pension Plan, which is a defined contribution plan. The Plan currently requires a contribution by the Club equal to 6% of the previous year's gross salaries of covered employees, with a maximum contribution of \$14,700 per participant. For participants whose employment ceased prior to January 1, 2007, employer contributions are not vested the first five years of employment, but are vested 100% after five years of employment. For employees who entered the Plan after December 31, 2006, vesting begins at 20% after two years of service. After each additional year of service, the employee will vest another 20% until 100% vested after six years. An employee who entered before January 1, 2007 and was employed after that date may select the vesting schedule that is more advantageous to the employee. A year of service is determined as 1,000 hours of service during a plan year, which runs on a calendar year. Pension expense recognized by the Club was \$177,619 for the year ended September 30, 2010.

**NOTE 11 - CONTINGENCIES AND COMMITMENTS**

The Club receives fees and grants from various state and city government agencies for services performed under contracts. Such contracts are subject to governmental compliance audits from the granting agencies, as well as the New York State Office of the Attorney General, the Internal Revenue Service and the New York State Department of Charities Registration, and may, from time to time, result in adjustments to fees and grants received. In the opinion of the Club, the disposition of all such matters should not have a material effect on the Club's financial position or change in net assets.

The Club entered into a construction contract to build the new Coudert clubhouse. To help fund the construction, the Club has received corresponding reimbursement grant commitments from the New York City Housing Authority (NYCHA) and New York City Council (Council) in the amounts of \$3,250,000 and \$6,750,000 (plus interest), respectively. Revenues are recorded as expenditures are made. In the year ended September 30, 2010, \$488,527 was recorded as income. As of September 30, 2010, the remaining commitment from the Council was \$137,323. In accordance with the terms of the Declaration of Restrictive Covenants in the Regulatory and Operating Agreement, the Club is committed to operate the site as a youth center for 30 years from July 30, 2010 (the "Commencement Date"), which was the date of issuance of a permanent certificate of occupancy from the Office of the Building Department of the City of New York. Failure to comply with the covenants and conditions of that certain Declaration of Restrictive Covenants is an Event of Default, and NYCHA will have the right to foreclose on the property.

-continued-

**KIPS BAY BOYS AND GIRLS CLUB, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2010****NOTE 11 - CONTINGENCIES AND COMMITMENTS (continued)**

The Club has entered into a subscription agreement totaling \$800,000 in forming a limited partnership called Cleantech Ventures, LP. In the event of nonpayment, the Club will be subject to penalties in the form of a reduction in its partnership interest or payment of interest. As of September 30, 2010, a total of \$600,901 of the commitment has been invested in the limited partnership.

**NOTE 12 - CONCENTRATIONS**

The Club obtained approximately 26% of its operating revenues through grants paid by the New York City Department of Youth and Community Development.

All of the gross pledges receivable are from one donor.