***HERBERT HOOVER BOYS AND GIRLS CLUB OF ST. LOUIS, INC. (d/b/a BOYS AND GIRLS CLUBS OF GREATER ST. LOUIS, INC.)***

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2014*

**BOYS & GIRLS CLUBS**

**OF GREATER ST. LOUIS**

# Contents

RubinBrown LLP
Certified Public Accountants
& Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

# Independent Auditors' Report

Board of Directors
Boys and Girls Clubs of Greater St. Louis, Inc.
St. Louis, Missouri

## Report On Financial Statements

We have audited the accompanying financial statements of Herbert Hoover Boys and Girls Club d/b/a Boys and Girls Clubs of Greater St. Louis, Inc., a not-for-profit organization, which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows 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.

### *Auditors' 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 auditors' 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 Herbert Hoover Boys and Girls Club d/b/a Boys and Girls Clubs of Greater St. Louis, Inc. as of December 31, 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.

RubinBrown LLP

June 30, 2015

# BOYS AND GIRLS CLUBS OF GREATER ST. LOUIS, INC.

## STATEMENT OF FINANCIAL POSITION

### Assets

| | December 31, 2014 | 2013 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ **101,597** | $ 170,526 |
| Investments (Note 3) | **843,519** | 795,667 |
| Unconditional promises to give - current (Note 5) | **1,334,947** | 1,399,117 |
| Accounts receivable | **78,443** | 58,774 |
| Prepaid insurance | **25,165** | 27,410 |
| **Total Current Assets** | **2,383,671** | 2,451,494 |
| **Unconditional Promises To Give - Long-Term (Note 5)** | **241,550** | 906,580 |
| **Property And Equipment (Notes 6 And 7)** | **11,749,691** | 12,174,940 |
| **Assets Restricted For Endowment (Notes 3 And 9)** | **3,235,389** | 2,933,663 |
| **Total Assets** | $ **17,610,301** | $ 18,466,677 |

### Liabilities And Net Assets

| | 2014 | 2013 |
|---|---|---|
| **Current Liabilities** | | |
| Current maturities of long-term debt (Note 7) | $ **160,089** | $ 140,737 |
| Accounts payable and accrued expenses | **154,304** | 160,364 |
| **Total Current Liabilities** | **314,393** | 301,101 |
| **Long-Term Debt (Note 7)** | **1,522,170** | 1,683,290 |
| **Total Liabilities** | **1,836,563** | 1,984,391 |
| **Net Assets** | | |
| Unrestricted Net Assets: | | |
| Operating | **852,819** | 802,679 |
| Unrestricted - invested in property and equipment | **10,067,432** | 10,350,913 |
| Total Unrestricted Net Assets | **10,920,251** | 11,153,592 |
| Temporarily Restricted (Note 8) | **1,680,587** | 2,267,114 |
| Permanently Restricted (Notes 8 and 9) | **3,172,900** | 3,061,580 |
| **Total Net Assets** | **15,773,738** | 16,482,286 |
| **Total Liabilities And Net Assets** | $ **17,610,301** | $ 18,466,677 |

See the accompanying notes to financial statements.

# BOYS AND GIRLS CLUBS OF GREATER ST. LOUIS, INC.

## STATEMENT OF ACTIVITIES
## For The Year Ended December 31, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Revenues And Support** | | | | |
| Contributions | $ 726,258 | $ 428,168 | $ 111,320 | $ 1,265,746 |
| Grants and special purpose revenue | 732,411 | 48,757 | — | 781,168 |
| United Way (Note 5) | 8,800 | 618,763 | — | 627,563 |
| In-kind donations | 79,039 | — | — | 79,039 |
| Membership and program fees | 190,342 | — | — | 190,342 |
| Fundraising event revenue (net of direct costs of benefits to donors of $132,706) | 462,138 | — | — | 462,138 |
| Miscellaneous income | 20,478 | — | — | 20,478 |
| | 2,219,466 | 1,095,688 | 111,320 | 3,426,474 |
| Net assets released from restrictions (Note 8) | 1,773,541 | (1,773,541) | — | — |
| **Total Revenues And Support** | 3,993,007 | (677,853) | 111,320 | 3,426,474 |
| **Expenses** | | | | |
| Herbert Hoover club | 1,657,212 | — | — | 1,657,212 |
| Adams Park club | 580,220 | — | — | 580,220 |
| South East Middle School club | 198,015 | — | — | 198,015 |
| Twillman Elementary School club | 239,843 | — | — | 239,843 |
| O'Fallon Park club | 201,007 | — | — | 201,007 |
| Mentor St. Louis | 144,958 | — | — | 144,958 |
| Total Program Services | 3,021,255 | — | — | 3,021,255 |
| General and administrative | 901,322 | — | — | 901,322 |
| Development and fundraising | 361,880 | — | — | 361,880 |
| Total Supporting Services | 1,263,202 | — | — | 1,263,202 |
| **Total Expenses** | 4,284,457 | — | — | 4,284,457 |
| **Increase (Decrease) In Net Assets From Operatio** | (291,450) | (677,853) | 111,320 | (857,983) |
| **Interest And Dividend Income, Net (Note 3)** | 30,230 | 90,398 | — | 120,628 |
| **Realized And Unrealized Gains On Investments (Note 3)** | 27,879 | 928 | — | 28,807 |
| **Increase (Decrease) In Net Assets** | (233,341) | (586,527) | 111,320 | (708,548) |
| **Net Assets - Beginning Of Year** | 11,153,592 | 2,267,114 | 3,061,580 | 16,482,286 |
| **Net Assets - End Of Year** | $ 10,920,251 | $ 1,680,587 | $ 3,172,900 | $ 15,773,738 |

## STATEMENT OF ACTIVITIES
## For The Year Ended December 31, 2013

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Revenues And Support** | | | | |
| Contributions | $ 603,940 | $ 517,500 | $ 117,475 | $ 1,238,915 |
| Grants and special purpose revenue | 747,217 | 1,091,971 | — | 1,839,188 |
| United Way (Note 5) | 11,051 | 619,751 | — | 630,802 |
| In-kind donations | 222,153 | — | — | 222,153 |
| Membership and program fees | 118,065 | — | — | 118,065 |
| Fundraising event revenue (net of direct costs of benefits to donors of $131,959) | 367,174 | — | — | 367,174 |
| Miscellaneous income | 30,406 | — | — | 30,406 |
| | 2,100,006 | 2,229,222 | 117,475 | 4,446,703 |
| Net assets released from restrictions (Note 8) | 2,065,747 | (2,065,747) | — | — |
| **Total Revenues And Support** | 4,165,753 | 163,475 | 117,475 | 4,446,703 |
| **Expenses** | | | | |
| Herbert Hoover club | 1,848,324 | — | — | 1,848,324 |
| Adams Park club | 588,712 | — | — | 588,712 |
| South East Middle School club | 154,082 | — | — | 154,082 |
| East Middle School club | 223,908 | — | — | 223,908 |
| O'Fallon Park club | 31,397 | — | — | 31,397 |
| Mentor St. Louis | 120,650 | — | — | 120,650 |
| Total Program Services | 2,967,073 | — | — | 2,967,073 |
| General and administrative | 847,032 | — | — | 847,032 |
| Development and fundraising | 309,777 | — | — | 309,777 |
| Total Supporting Services | 1,156,809 | — | — | 1,156,809 |
| **Total Expenses** | 4,123,882 | — | — | 4,123,882 |
| **Increase In Net Assets From Operations** | 41,871 | 163,475 | 117,475 | 322,821 |
| **Interest And Dividend Income, Net (Note 3)** | (4,624) | 5,826 | — | 1,202 |
| **Realized And Unrealized Gains On Investments (Note 3)** | 153,891 | 264,299 | — | 418,190 |
| **Increase In Net Assets** | 191,138 | 433,600 | 117,475 | 742,213 |
| **Net Assets - Beginning Of Year** | 10,962,454 | 1,833,514 | 2,944,105 | 15,740,073 |
| **Net Assets - End Of Year** | $ 11,153,592 | $ 2,267,114 | $ 3,061,580 | $ 16,482,286 |

# BOYS AND GIRLS CLUBS OF GREATER ST. LOUIS, INC.

## STATEMENT OF FUNCTIONAL EXPENSES
## For The Year Ended December 31, 2014

| | Program Services | | | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Herbert Hoover Club | Adams Park Club | South East Middle School Club | Twillman Elementary School Club | O'Fallon Park Club | Mentor St. Louis | Total Program | General And Administrative | Development And Fundraising | Total Supporting Services | Total |
| Personnel expenses | $ 737,359 | $ 358,308 | $ 168,102 | $ 215,635 | $ 135,059 | $ 131,144 | $ 1,745,607 | $ 548,952 | $ 243,144 | $ 792,096 | $ 2,537,703 |
| Advertising and promotions | 1,340 | 323 | 185 | 231 | 185 | 138 | 2,402 | 2,149 | 23,028 | 25,177 | 27,579 |
| Conferences, conventions and meetings | 2,238 | 1,256 | 482 | 484 | 500 | 894 | 5,854 | 16,950 | 3,110 | 20,060 | 25,914 |
| Contracted services and program supplies | 90,051 | 17,154 | 11,281 | 8,075 | 46,187 | 6,982 | 179,730 | 22,261 | 5,135 | 27,396 | 207,126 |
| Depreciation | 336,720 | 134,375 | — | — | — | — | 471,095 | 37,413 | — | 37,413 | 508,508 |
| Donated legal services for potential expansion | — | — | — | — | — | — | — | 44,789 | — | 44,789 | 44,789 |
| Dues and subscriptions | 1,817 | 380 | 242 | 272 | 217 | 163 | 3,091 | 26,181 | 988 | 27,169 | 30,260 |
| Equipment rental and maintenance | 13,424 | 4,879 | 672 | 669 | 228 | 170 | 20,042 | 6,082 | 2,901 | 8,983 | 29,025 |
| Interest expense | 66,521 | — | — | — | — | — | 66,521 | 7,391 | — | 7,391 | 73,912 |
| Liability insurance | 32,470 | 20,891 | 8,739 | 9,223 | 6,410 | 2,141 | 79,874 | 17,468 | — | 17,468 | 97,342 |
| Occupancy | 314,649 | 21,599 | 122 | — | — | — | 336,370 | 268 | — | 268 | 336,638 |
| Office supplies | 22,236 | 5,679 | 6,459 | 3,228 | 10,756 | 1,319 | 49,677 | 21,486 | 3,472 | 24,958 | 74,635 |
| Other - bank and merchant fees | — | — | — | — | — | — | — | 14,460 | — | 14,460 | 14,460 |
| Postage and shipping | 297 | 176 | — | — | 40 | — | 513 | 5,131 | 745 | 5,876 | 6,389 |
| Printing and publishing | 1,966 | 1,557 | 1,705 | 1,587 | 1,425 | 125 | 8,365 | 3,625 | 19,919 | 23,544 | 31,909 |
| Professional fees | — | 80 | — | — | — | — | 80 | 113,045 | 57,207 | 170,252 | 170,332 |
| Telephone | 27,785 | 13,273 | — | — | — | 438 | 41,496 | 2,316 | 264 | 2,580 | 44,076 |
| Travel | 8,339 | 290 | 26 | 439 | — | 1,444 | 10,538 | 11,355 | 1,967 | 13,322 | 23,860 |
| | $ 1,657,212 | $ 580,220 | $ 198,015 | $ 239,843 | $ 201,007 | $ 144,958 | $ 3,021,255 | $ 901,322 | $ 361,880 | $ 1,263,202 | $ 4,284,457 |

# BOYS AND GIRLS CLUBS OF GREATER ST. LOUIS, INC.

## STATEMENT OF FUNCTIONAL EXPENSES
## For The Year Ended December 31, 2013

| | Program Services | | | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Herbert Hoover Club | Adams Park Club | South East Middle School Club | Twillman Elementary School Club | O'Fallon Park Club | Mentor St. Louis | Total Program | General And Administrative | Development And Fundraising | Total Supporting Services | Total |
| Personnel expenses | $ 919,744 | $ 359,470 | $ 127,508 | $ 195,394 | $ 21,846 | $ 110,523 | $ 1,734,485 | $ 383,478 | $ 254,781 | $ 638,259 | $ 2,372,744 |
| Advertising and promotions | 8,741 | 869 | 615 | — | — | — | 10,225 | 3,056 | 31,976 | 35,032 | 45,257 |
| Conferences, conventions and meetings | 560 | — | — | 52 | — | — | 612 | 29,621 | 2,290 | 31,911 | 32,523 |
| Contracted services and program supplies | 129,701 | 24,343 | 11,393 | 10,012 | 2,362 | 729 | 178,540 | 22,138 | 514 | 22,652 | 201,192 |
| Depreciation | 306,765 | 134,375 | — | — | — | — | 441,140 | 34,085 | — | 34,085 | 475,225 |
| Donated legal services for potential expansion | — | — | — | — | — | — | — | 203,850 | — | 203,850 | 203,850 |
| Dues and subscriptions | 2,172 | — | — | 7 | — | — | 2,179 | 26,634 | 1,190 | 27,824 | 30,003 |
| Equipment rental and maintenance | 17,603 | 3,897 | 221 | 276 | 8 | 32 | 22,037 | 8,426 | 312 | 8,738 | 30,775 |
| Interest expense | 57,675 | — | — | — | — | — | 57,675 | 6,408 | — | 6,408 | 64,083 |
| Liability insurance | 33,896 | 19,395 | 8,081 | 11,004 | — | 1,616 | 73,992 | 6,703 | — | 6,703 | 80,695 |
| Occupancy | 292,927 | 23,665 | — | — | — | — | 316,592 | 16 | — | 16 | 316,608 |
| Office supplies | 30,528 | 8,656 | 4,340 | 5,918 | 7,181 | 1,046 | 57,669 | 26,775 | 5,733 | 32,508 | 90,177 |
| Other - bank and merchant fees | 711 | (4) | — | — | — | — | 707 | 9,705 | 70 | 9,775 | 10,482 |
| Postage and shipping | 296 | 68 | 494 | — | — | — | 858 | 5,957 | 2,774 | 8,731 | 9,589 |
| Printing and publishing | 5,440 | 561 | 1,404 | 1,140 | — | 207 | 8,752 | 9,464 | 7,158 | 16,622 | 25,374 |
| Professional fees | 18,147 | 4,178 | — | — | — | 350 | 22,675 | 47,629 | 1,400 | 49,029 | 71,704 |
| Telephone | 22,172 | 9,065 | — | — | — | 844 | 32,081 | 13,388 | — | 13,388 | 45,469 |
| Travel | 1,246 | 174 | 26 | 105 | — | 5,303 | 6,854 | 9,699 | 1,579 | 11,278 | 18,132 |
| | $ 1,848,324 | $ 588,712 | $ 154,082 | $ 223,908 | $ 31,397 | $ 120,650 | $ 2,967,073 | $ 847,032 | $ 309,777 | $ 1,156,809 | $ 4,123,882 |

# BOYS AND GIRLS CLUBS OF GREATER ST. LOUIS, INC.

## STATEMENT OF CASH FLOWS

| | For The Years Ended December 31, 2014 | 2013 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Increase (decrease) in net assets | **$ (708,548)** | $ 742,213 |
| Adjustments to reconcile (increase) decrease in net assets to net cash provided by operating activities: | | |
| Depreciation | **508,508** | 475,225 |
| Contributions restricted for endowment | **(300,000)** | (300,000) |
| Realized and unrealized gains on investments | **(28,807)** | (418,190) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in unconditional promises to give | **729,200** | (50,603) |
| Increase in accounts receivable | **(19,669)** | (19,125) |
| (Increase) decrease in prepaid insurance | **2,245** | (27,410) |
| Decrease in accounts payable and accrued expenses | **(6,060)** | (72,331) |
| **Net Cash Provided By Operating Activities** | **176,869** | 329,779 |
| **Cash Flows From Investing Activities** | | |
| Proceeds from sale of investments | **1,862,315** | 1,763,242 |
| Purchases of investments | **(2,183,086)** | (1,983,044) |
| Purchases of property and equipment | **(83,259)** | (819,954) |
| **Net Cash Used In Investing Activities** | **(404,030)** | (1,039,756) |
| **Cash Flows From Financing Activities** | | |
| Payments on long-term debt | **(141,768)** | (103,706) |
| Proceeds from long-term debt | — | 526,300 |
| Proceeds from endowment contributions | **300,000** | 300,000 |
| **Net Cash Provided By Financing Activities** | **158,232** | 722,594 |
| **Net Increase (Decrease) In Cash And Cash Equivalents** | **(68,929)** | 12,617 |
| **Cash And Cash Equivalents - Beginning Of Year** | **170,526** | 157,909 |
| **Cash And Cash Equivalents - End Of Year** | **$ 101,597** | $ 170,526 |
| **Supplemental Disclosure Of Cash Flow Information** | | |
| Interest paid | **$ 73,912** | $ 69,464 |

## 1. Summary Of Significant Accounting Policies

### Basis Of Accounting

The accompanying financial statements of Herbert Hoover Boys and Girls Club of St. Louis, Inc. d/b/a Boys and Girls Clubs of Greater St. Louis (the Organization) have been prepared on the accrual basis of accounting. Income is recognized when earned and expenses are recognized when incurred.

### Basis Of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board for Not-for-Profit Organizations by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity and financial flexibility. As a result, the Organization is required to report its financial position and activities according to the following three classes of assets:

*Unrestricted Net Assets* represent those net assets that are not subject to donor-imposed stipulations. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

*Temporarily Restricted Net Assets* represent those net assets whose use has been limited by donor-imposed stipulations that either can be fulfilled or expire by the passage of time.

*Permanently Restricted Net Assets* represent those net assets whose use has been limited by donor-imposed stipulations that will remain in effect in perpetuity.

### Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for uncollectible receivables and promises to give.

### Cash And Cash Equivalents

The Organization considers all unrestricted balances held in checking accounts, savings accounts and short-term investment accounts with original maturity dates of three months or less to be cash equivalents.

The Organization maintains its cash and cash equivalents at several banks and with several investment managers. At various times throughout the year, bank deposits may exceed federally insured limits. In addition, some cash equivalents consist of money market funds, which are not covered by Federal Deposit Insurance Corporation.

### Investments

Investments are reported at fair value based on quoted prices in active markets for identical assets (Level 1) or on significant other observable inputs (Level 2) as described in Note 4. Gains or losses on sales of investments are determined on a specific cost identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations. All investment income is reported as increases or decreases in unrestricted net assets unless a donor or law restricts the use of the income.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

### Fair Value Of Financial Instruments

Various methods and assumptions were used to estimate the fair value of each class of financial instruments. Cash and cash equivalents are valued at their carrying amount due to their short maturities. Investments are reported at fair value based on quoted market prices or other significant inputs.

### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Management has determined that no valuation allowance is necessary for accounts receivable as of December 31, 2014 or 2013.

### Unconditional Promises To Give

Unconditional promises to give in future periods are recognized as support in the period the promises are received. Promises to give, which depend upon specified future and certain events, are reported at the amount management expects to collect on balances outstanding at year end. Management provides for probable uncollected amounts through a charge to contribution revenue and a credit to a valuation allowance based on its assessment of the current status of the existing receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to promises to give. Management has determined that no change in the allowance is necessary as of December 31, 2014 or 2013.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimate future cash flows. The resulting discount is amortized and reported as contribution revenue in the statement of activities.

### Property And Equipment

Property and equipment are carried at cost, if purchased, or at fair value, if donated; less accumulated depreciation computed using the straight-line method over periods ranging from 3 to 40 years. The Organization capitalizes all expenditures in excess of $2,500 for property and equipment.

### Restricted And Unrestricted Support And Revenue

The Organization reports gifts of cash and other assets as 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.

### Donated Property, Services And Materials

Various equipment, services and materials are donated to the Organization. Donated equipment, certain donated professional services and donated materials are recorded as contributions at their estimated fair value on the dates of the contributions. During 2014 and 2013, the Organization received $44,789 and $203,850, respectively in donated legal services related to the potential expansion of the Organization’s facilities.

From time to time, the Organization receives donated goods that it passes along to its members, but would not otherwise purchase. The Organization is not the ultimate beneficiary of these donated goods, therefore, revenue is not recorded. In addition, a substantial number of other volunteers have donated their time to the Organization's program services and fundraising activities. This volunteer time has not been recorded because it does not meet the criteria for recognition under generally accepted accounting principles.

**Description Of Program Services And Supporting Activities**

The following program services and supporting activities are included in the accompanying financial statements:

<u>Herbert Hoover Club</u>

This is the founding location in North City that currently serves approximately 3,000 youth annually. Open 48 weeks a year, five days a week, the 78,000 square-foot facility houses the Clarkson Eyecare Vision Clinic, MJL Aquatics Center, MetLife Learning Center, and All-Star Field, as well as a dental clinic, reading room, science room, technology center, game room, tennis courts, football field, gymnasium, art room, teen center, performing arts/dance studio, multi-purpose room, cafeteria and kitchen, fitness center, and a new music studio.

<u>Adams Park Club</u>

This facility began operating in 2007 at the Adams Park Community Center. This location currently serves approximately 465 children annually. Located in the Forest Park Southeast Neighborhood, the 28,000 square-foot center offers educational, recreational and social activities, as well as teen-focused programs. The facility includes a gym, dance studio, fitness center, game room, computer lab, Clarkson Eyecare Clinic, and the Jim Edmonds Field.

<u>South East Middle School Club</u>

This is the Organization's first school-based site that opened in 2008. A partnership with Hazelwood School District and St. Louis County, it is located in the Spanish Lake area and operates five days a week. This unit shares a gymnasium, performance stage, library, technology center, cafeteria, art room and game room with the school and serves approximately 250 youth annually. The center offers education, recreational, and social activities, as well as teen-focused programs. Members can also access the dental and vision clinics at other locations.

Twillman Elementary School Club

This club opened in summer 2013 and deepens the Organization's partnerships with both the Hazelwood School District and the Spanish Lake community. This location operates five days a week, sharing a library, cafeteria, a computer lab and gymnasium with Twillman Elementary School. This club is serving approximately 165 youth annually. The center provides educational, recreational, and social activities and members have full access to dental and vision services.

O'Fallon Park Club

The O'Fallon Park club, located in North St. Louis City, opened in February of 2013 and is in partnership with the YMCA of Greater St. Louis and the City of St. Louis Department of Parks, Recreation and Forestry. This club has offered a select number of programs and is scheduled to operate at full capacity, 48 weeks a year, five days a week, with complete access and transportation to dental and vision services beginning in 2014. The 79,000 square foot facility has a full-size double gymnasium, 12 basketball hoops plus volleyball nets, fitness center, elevated running/walking track, Teen Hub/game room, computer lab, three wet multipurpose rooms, classroom space, indoor pool and outdoor pool. The facility serves approximately 430 youth annually.

Mentor St. Louis

This program empowers St. Louis elementary school students to succeed in school through structured, positive mentoring relationships with caring adult volunteers. Every year, youth in first through sixth grade are encouraged to develop a love of learning and ultimately reach their highest potential through literacy-based programming and supportive one-on-one relationships.

General And Administrative

General and administration includes the functions includes necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration of the Organization, and manage the financial and budgetary responsibilities of the Organization.

Development And Fundraising

The development and fundraising function provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations, as well as support from local, state, and federal government agencies.

### Allocation Of Expenses

Expenses are charged to program services and supporting activities on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

### Tax Status

The Organization constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes. The Organization has a policy to evaluate tax positions, which may be considered uncertain and has determined that no uncertain tax positions exist as of December 31, 2014. The Organization's tax returns for the tax years ended 2011 and later remain subject to examination by taxing authorities.

### Subsequent Events

Management has evaluated subsequent events through June 30, 2015, the date which the financial statements were available for issue.

## 2. Operations

The Organization is a not-for-profit organization dedicated to providing recreational, athletic and educational facilities for youth in the metropolitan St. Louis area.

The Organization operates at several locations, two of which it owns. The Organization also has agreements with the Hazelwood School District to offer programs at Hazelwood East Middle School and South East Middle School. The cost for these services is funded by various grants.

During 2009, the Organization merged with Mentor St. Louis, a nonprofit corporation. Mentor St. Louis offers school-based mentoring supplemented by additional weekly contact with students in the St. Louis Public School District, including personal visits, phone calls and writing correspondence.

## 3. Investments

Investments consist of:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Cost** | **Fair Value** | Cost | Fair Value |
| Money market funds | **$ 243,379** | **$ 243,379** | $ 130,841 | $ 130,841 |
| Mutual funds | **2,493,724** | **2,580,024** | 2,153,131 | 2,453,234 |
| Government obligations | **184,931** | **187,510** | 200,269 | 201,984 |
| Corporate bonds | **188,887** | **193,072** | 244,342 | 240,391 |
| Corporate stocks | **752,755** | **874,923** | 600,444 | 702,880 |
| | **$ 3,863,676** | **$ 4,078,908** | $ 3,329,027 | $ 3,729,330 |

For the years ended December 31, 2014 and 2013, unrealized losses of $132,060 and unrealized gains of $347,293, respectively, were recorded to adjust investments to fair value. For the years ended December 31, 2014 and 2013, realized gains of $160,867 and $70,897, respectively, were recorded from the sale of investments.

Investment fees of $36,783 and $38,487 were incurred in 2014 and 2013, respectively, and are netted against interest and dividend income.

Investments are classified in several funds as follows:

| | **2014** | 2013 |
|---|---|---|
| Amberg Fund | **$ 817,907** | $ 793,072 |
| Assets permanently restricted for endowment | **3,235,389** | 2,933,663 |
| Other funds and general investments | **25,612** | 2,595 |
| | **$ 4,078,908** | $ 3,729,330 |

The Amberg Fund is board-designated. The assets held for permanent endowment are described in Note 9.

## 4. Fair Value

The Organization accounts for certain investments at fair value as required by generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

There are three general valuation techniques that may be used to measure fair value, as described below:

- Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable asset or liabilities.
- Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset.
- Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts.

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

*Level 1* Quoted prices that are readily available in active markets/exchanges for identical investments.

*Level 2* Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.

*Level 3* Significant pricing inputs that are unobservable for the investment and includes investments for which there is little, if any, market activity for the investment.

The following are the major categories of assets measured at fair value on a recurring basis at December 31, 2014 and 2013:

| | 2014 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Mutual funds | $ 2,580,024 | $ — | $ — | $ 2,580,024 |
| Government obligations | — | 187,510 | — | 187,510 |
| Corporate bonds | — | 193,072 | — | 193,072 |
| Corporate stocks | 874,923 | — | — | 874,923 |
| Total Assets | $ 3,454,947 | $ 380,582 | $ — | $ 3,835,529 |

| | 2013 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Mutual funds | $ 2,453,234 | $ — | $ — | $ 2,453,234 |
| Government obligations | — | 201,984 | — | 201,984 |
| Corporate bonds | — | 240,391 | — | 240,391 |
| Corporate stocks | 702,880 | — | — | 702,880 |
| Total Assets | $ 3,156,114 | $ 442,375 | $ — | $ 3,598,489 |

At December 31, 2014 and 2013, the Level 2 assets utilize the following valuation techniques and inputs:

*Governmental Obligations:* The fair value of investments in governmental agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

*Corporate Bonds:* The fair value of investments in U.S. and international corporate bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

During 2014 and 2013, there were no changes in the methods or assumptions utilized to derive the fair value of the Organization's assets.

## 5. Promises To Give

Unconditional short-term promises consist of pledges that had not yet been collected at year end and are due within one year. Long-term promises to give include promises to give that are payable over a period greater than one year. At December 31, 2014 and 2013, unconditional promises to give are expected to be collected as follows:

| | **2014** | 2013 |
|---|---|---|
| Pledges due in less than one year | **$ 1,349,027** | $ 1,413,197 |
| Pledges due in 1 - 5 years | **250,000** | 950,000 |
| Less: Present value discount | **(8,450)** | (43,420) |
| | **1,590,577** | 2,319,777 |
| Less: Allowance for doubtful accounts | **(14,080)** | (14,080) |
| | **$ 1,576,497** | $ 2,305,697 |

Promises to give receivable in more than one year are discounted at a rate of 2.89%-6%.

The United Way of Greater St. Louis, Inc. (United Way) provides funding for the Organization's activities. Notification of the succeeding year's funding is received by the Organization in December. Accordingly, the amounts awarded during 2014 and 2013 of $618,763 and $619,751, respectively, were recorded as temporarily restricted contributions and related promises to give at December 31, 2014 and 2013, respectively (Note 8).

In 2011, the Organization received an unconditional promise to give for a permanent endowment from an individual to contribute $1,000,000 over a five-year period. Payments began at the end of 2011 and will continue through the end of 2015. At December 31, 2014, $200,000 of the promise to give is included in permanently restricted net assets for education and career development programs.

The Organization received a long-term conditional promise to give from a local corporation for approximately $500,000 to establish an endowment for technology programs. Payments began in 2010 and final payment was made in 2014. Receipt of the funding each year was conditional upon the local corporation's financial success. During 2014 and 2013, $100,000 was received.

## 6. Property And Equipment

Property and equipment consist of:

| | **2014** | 2013 |
|---|---|---|
| Land | **$ 698,206** | $ 698,206 |
| Land improvements | **136,855** | 136,855 |
| Buildings and improvements | **16,671,674** | 16,512,066 |
| Furniture and equipment | **1,127,691** | 1,107,740 |
| | **18,634,426** | 18,454,867 |
| Less: Accumulated depreciation | **6,884,735** | 6,376,227 |
| | **11,749,691** | 12,078,640 |
| Construction in progress | **—** | 96,300 |
| | **$ 11,749,691** | $ 12,174,940 |

Depreciation expense charged to revenues amounted to $508,508 in 2014 and $475,225 in 2013.

# 7. Long-Term Debt

The following is a summary of long-term debt:

| | 2014 | 2013 |
|---|---|---|
| Note payable - Illinois Facility Fund, principal and interest are payable monthly in equal installments of $8,304 through July 1, 2024. The loan is secured by a first deed of trust on the property on North Grand. The note bears interest at 5.75% fixed rate through July 2014. As of July 2014, the note bears interest at 5.00%. Interest is recalculated every five years, so the interest rate was adjusted in July 2014 and will be adjusted again in 2019. | **$ 732,243** | $ 788,641 |
| Note payable - Illinois Facility Fund, principal and interest are payable monthly in equal installments of $6,329 through October 1, 2022. The loan is secured by a second deed of trust on the property on North Grand. The note bore interest at 6% fixed rate through October 2012. As of November 2012, the note bears interest at 2.89%. Interest is recalculated every five years, so the interest rate was adjusted in October 2012 and will be adjusted again in 2017. | **457,409** | 509,086 |
| Note payable - Illinois Facility Fund, principal and interest are payable monthly beginning in April 2014 in equal installments of $5,201 through March 1, 2024. The loan is secured by a third deed of trust on the property on North Grand. The note bears interest at 3.5% through the term of the loan. | **492,607** | 526,300 |
| | **1,682,259** | 1,824,027 |
| Less: Current maturities of long-term debt | **160,089** | 140,737 |
| | **$ 1,522,170** | $ 1,683,290 |

The above notes payable contain covenants pertaining to the maintenance and sale of property, loans and advances, and substantial changes in management or ownership.

The scheduled maturities of the long-term debt at December 31, 2014 are as follows:

| **Year** | | **Amount** |
|---|---|---|
| 2015 | $ | 160,089 |
| 2016 | | 166,408 |
| 2017 | | 172,985 |
| 2018 | | 179,836 |
| 2019 | | 580,645 |
| Thereafter | | 422,296 |
| | $ | 1,682,259 |

## 8. Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

| | | **2014** | | 2013 |
|---|---|---|---|---|
| United Way - time restricted (Note 5) | **$** | **618,763** | $ | 619,751 |
| Time restrictions - other | | **564,035** | | 767,900 |
| Unappropriated endowment earnings | | **262,489** | | 260,763 |
| Adams Park programs | | **187,500** | | 500,000 |
| Ferguson programs | | **41,500** | | — |
| Triple Play program | | **—** | | 30,000 |
| Various programs | | **6,300** | | 88,700 |
| | **$** | **1,680,587** | $ | 2,267,114 |

Net assets were released from donor-imposed restrictions as follows:

| | 2014 | 2013 |
|---|---|---|
| Expiration of time restrictions - United Way | **$ 619,751** | $ 588,751 |
| Expiration of time restrictions - other | **300,000** | 550,000 |
| Appropriated endowment earnings | **89,600** | 90,690 |
| Adams Park programs | **312,500** | 250,000 |
| Dental clinic | **17,500** | 35,000 |
| Deaconess Foundation - building capacity | **—** | 73,461 |
| Summer program | **27,500** | 7,500 |
| Education programs | **176,000** | 95,000 |
| Teen programs | **33,633** | 70,000 |
| Security lighting project | **—** | 19,301 |
| Swimming pool and locker room renovation | **28,700** | 96,300 |
| Get Kids to the Club initiative | **60,000** | 85,000 |
| Triple Play program | **30,000** | 10,000 |
| Resource development expansion | **20,000** | — |
| Various programs | **58,357** | 94,744 |
| | **$ 1,773,541** | $ 2,065,747 |

As described in Note 9, the Board of Directors has designated the spending of the Amberg Fund. As of December 31, 2014 and 2013, the balance in the Amberg Fund was $817,907 and $793,072, respectively.

Permanently restricted net assets are subject to the following restrictions:

| | 2014 | 2013 |
|---|---|---|
| Taylor Fund for character and leadership programs | **$ 1,000,000** | $ 1,000,000 |
| Mentor St. Louis Fund for school-based mentoring programs | **672,900** | 672,900 |
| Emerson Fund for technology programs | **500,000** | 400,000 |
| Mary Ann Lee Fund for education and career development programs | **1,000,000** | 988,680 |
| | **$ 3,172,900** | $ 3,061,580 |

Permanently restricted net assets consist of endowments as described in Note 9.

## 9. Permanently Restricted Endowment Funds

The Organization's endowments consist of the following funds:

| Endowment Fund | Purpose Restriction | Year Established |
|---|---|---|
| Taylor Fund | Character and leadership programs | 2006 |
| Mentor St. Louis Fund | School-based mentoring programs | 2009 |
| Emerson Fund | Technology programs | 2010 |
| Mary Ann Lee Fund | Education and career development | 2011 |

The Board of Directors of the Organization has interpreted relevant law to mean that the fair value of the original endowment is restricted in perpetuity, absent explicit donor stipulations to the contrary. Additionally, the Board of Directors has adopted a formal investment policy that details the objectives and constraints of the endowment. The primary goal of the endowments is long-term growth and preservation of purchasing power by achieving returns in excess of the rate of inflation. The investment policy accepts minimal risk but acknowledges the need to assume risk in order to preserve long-term financial assets. The policy calls for a specific allocation of funds with periodic rebalancing at the discretion of the investment manager. The investment policy includes a formal spending policy, which allows the Organization to distribute a maximum annual amount of 4% of the current market value of each endowment.

As of December 31, 2014 and 2013, the net asset composition of the endowments are as follows:

| | 2014 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Taylor Fund | $ — | $ 114,924 | $ 1,000,000 | $ 1,114,924 |
| Mentor St. Louis Fund | — | 46,727 | 672,900 | 719,627 |
| Emerson Fund | — | 34,866 | 500,000 | 534,866 |
| Mary Ann Lee Fund | — | 65,972 | 800,000 | 865,972 |
| | $ — | $ 262,489 | $ 2,972,900 | $ 3,235,389 |

| | 2013 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Taylor Fund | $ — | $ 121,804 | $ 1,000,000 | $ 1,121,804 |
| Mentor St. Louis Fund | — | 22,542 | 672,900 | 695,442 |
| Emerson Fund | — | 39,021 | 400,000 | 439,021 |
| Mary Ann Lee Fund | — | 77,396 | 600,000 | 677,396 |
| | $ — | $ 260,763 | $ 2,672,900 | $ 2,933,663 |

The changes in the endowment net assets for the years ended December 31, 2014 and 2013 are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Balance - January 1, 2013 | $ (65,988) | $ 81,328 | $ 2,372,900 | $ 2,388,240 |
| Interest and dividends, net | (12,610) | 5,826 | — | (6,784) |
| Realized gain | 26,600 | 37,210 | — | 63,810 |
| Unrealized gain | 51,998 | 227,089 | — | 279,087 |
| Total investment return | 65,988 | 270,125 | — | 336,113 |
| Contributions | — | — | 300,000 | 300,000 |
| Amounts appropriated for spending | — | (90,690) | — | (90,690) |
| Balance - December 31, 2013 | — | 260,763 | 2,672,900 | 2,933,663 |
| Interest and dividends, net | — | 90,398 | — | 90,398 |
| Realized gain | — | 134,420 | — | 134,420 |
| Unrealized loss | — | (133,492) | — | (133,492) |
| Total investment return | — | 91,326 | — | 91,326 |
| Contributions | — | — | 300,000 | 300,000 |
| Amounts appropriated for spending | — | (89,600) | — | (89,600) |
| Balance - December 31, 2014 | $ — | $ 262,489 | $ 2,972,900 | $ 3,235,389 |

Periodically, the fair market value of the assets associated with the Mentor St. Louis and character and leadership endowment funds have fallen below the level that the donors require the Organization to maintain in perpetuity. In accordance with GAAP, deficiencies of this nature result from unfavorable investment market conditions during previous years and are reported in unrestricted net assets. No deficiencies were noted as of December 31, 2014 or 2013.

## 10. Line Of Credit

In October 2012, the Organization entered into a $200,000 line of credit agreement. The line of credit, which expires on October 22, 2015, is secured by substantially all of the Organization's assets and bears interest at the rate of 4%. During 2013, funds were drawn throughout the year, and interest of $722 was paid by the Organization. All drawn funds were paid off by the end of the year, and at both December 31, 2014 and 2013, no funds remained outstanding.

## 11. Commitments

In connection with Adams Park Community Center, the Organization has become party to several real estate land lease agreements with the City of St. Louis and the Board of Education of the City of St. Louis. Commitments under the lease arrangement are not material to the Organization's financial statements.

## 12. Defined Contribution Plan

The Organization maintains a Section 403(b) defined contribution plan covering substantially all full-time employees. Benefit plan expenses totaled $37,945 and $33,880 for the years ended December 31, 2014 and 2013, respectively. In 2014 and 2013, the Organization offered a match equal to 2.5% of employee contributions. As of December 31, 2014 and 2013, the Organization had estimated accrued contributions outstanding of $36,603 and $35,443, respectively, which are included in accounts payable and accrued expenses in the statement of financial position.