2014

Financial Statements

1889 General George Patton Drive Suite 200 · Franklin, TN 37067 · Phone 615-750-5537· Fax 615-750-5543 · www.phbcpas.com

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

DECEMBER 31, 2014

(With Independent Auditor's Report Thereon)

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
FINANCIAL STATEMENTS
DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

CONTENTS

PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Boys & Girls Clubs of Middle Tennessee

We have audited the accompanying financial statements of the Boys & Girls Clubs of Middle Tennessee (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boys & Girls Clubs of Middle Tennessee as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the Boys & Girls Clubs of Middle Tennessee's 2013 financial statements, and our report dated March 6, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson Hardee & Ballentine

April 6, 2015

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

ASSETS

	2014	2013
Current Assets:		
Cash	$ 690,723	$ 391,138
Grants and contracts receivable	43,553	126,838
Contributions receivable	60,646	5,908
Prepaid expenses and deposits	13,942	12,435
Investments	533,432	491,953
Total current assets	1,342,296	1,028,272
Property and Equipment - net	1,231,096	1,298,427
Assets Whose Use is Limited:		
Cash	514,232	514,197
Grants receivable	57,614	57,614
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	27,149	23,438
Investments	475,752	476,266
Membership rights - net of amortization	67,500	97,500
Capital campaign assets:		
Cash	757,907	757,493
Contributions receivable - net	96,131	95,732
Total assets whose use is limited	1,996,285	2,022,240
	$ 4,569,677	$ 4,348,939

LIABILITIES AND NET ASSETS

	2014	2013
Current Liabilities:		
Accounts payable	$ 75,392	$ 27,049
Accrued expenses	58,567	36,933
Total current liabilities	133,959	63,982
Net Assets:		
Unrestricted	2,439,433	2,262,717
Restricted Net Assets:		
Temporarily restricted	1,030,638	1,060,304
Permanently restricted	965,647	961,936
Total restricted net assets	1,996,285	2,022,240
Total Net Assets	4,435,718	4,284,957
	$ 4,569,677	$ 4,348,939

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

	2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Public Support and Revenue:					
Individual gifts and contributions	$ 837,743	$ -	$ 2,800	$ 840,543	$ 667,999
Grants and contracts	538,462	15,228	-	553,690	508,360
United Way grants, allocations, and designations	23,153	100,000	-	123,153	119,919
Special events	637,457	-	-	637,457	470,671
Program service fees	360,742	-	-	360,742	293,063
Gain on sale of asset	1,000	-	-	1,000	-
Donated rent	48,790	-	-	48,790	16,790
Investment income - net	47,025	435	911	48,371	80,818
Other	37,614	-	-	37,614	36,472
Net assets released from restrictions	145,329	(145,329)	-	-	-
Total public support and revenue	2,677,315	(29,666)	3,711	2,651,360	2,194,092
Expenses:					
Program services:					
Comprehensive Youth Development	1,970,503	-	-	1,970,503	1,673,552
Supporting services:					
Management and general	215,805	-	-	215,805	189,389
Fundraising	314,291	-	-	314,291	277,592
Total expenses	2,500,599	-	-	2,500,599	2,140,533
Increase (decrease) in net assets	176,716	(29,666)	3,711	150,761	53,559
Net assets - beginning of year	2,262,717	1,060,304	961,936	4,284,957	4,231,398
Net assets - end of year	$ 2,439,433	$ 1,030,638	$ 965,647	$ 4,435,718	$ 4,284,957

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

	2014				
	Program Services	Supporting Services			
	Comprehensive Youth Development	Management and General	Fundraising	Total 2014	Total 2013
Salaries	$ 954,619	$ 110,604	$ 95,566	$ 1,160,789	$ 1,054,002
Employee taxes & benefits	168,197	23,576	20,451	212,224	171,553
Total payroll & related expenses	1,122,816	134,180	116,017	1,373,013	1,225,555
Awards and grants	625	-	-	625	2,773
Communications	10,879	1,272	-	12,151	9,147
Depreciation & amortization	66,562	1,358	30,000	97,920	105,362
Equipment rental and maintenance	36,869	6,204	-	43,073	42,430
Field trips & other youth events	69,032	-	-	69,032	114,314
In-kind expense	48,790	-	-	48,790	16,790
Interest expense	-	-	-	-	41
Marketing	23,609	-	10,118	33,727	9,468
Membership dues	32,036	2,323	-	34,359	24,187
Miscellaneous	37,112	6,792	-	43,904	62,476
Postage	730	1,656	552	2,938	1,996
Professional fees	52,325	20,930	860	74,115	49,781
Special events	83,926	-	155,707	239,633	180,823
Supplies	147,149	10,577	-	157,726	71,516
Training and conferences	15,709	16,165	-	31,874	15,221
Transportation	54,653	-	-	54,653	34,289
Travel and mileage	6,752	1,382	1,037	9,171	8,540
Utilities and occupancy costs	160,929	12,966	-	173,895	165,824
	$ 1,970,503	$ 215,805	$ 314,291	$ 2,500,599	$ 2,140,533

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

	2014	2013
Cash Flows From Operating Activities:		
Increase in net assets	$ 150,761	$ 53,559
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	97,920	105,362
Realized gain on investments	(3,851)	(8,947)
Dividends and interest reinvested	(7,462)	(6,019)
Donated property and equipment	(589)	-
Gain on sale of property and equipment	(1,000)	-
Unrealized gains on investments	(38,226)	(66,955)
Change in value of beneficial interest in agency endowment fund	(2,800)	(450)
Changes in:		
Grants and contracts receivable	83,285	128,658
Contributions receivable	(54,738)	(488)
Prepaid expenses and deposits	(1,507)	4,839
Assets whose use is limited	6,815	(4,694)
Accounts payable	48,343	2,685
Accrued expenses	21,634	4,604
Total adjustments	147,824	158,595
Net cash provided by operating activities	298,585	212,154
Cash Flows From Investing Activities:		
Proceeds from sale of equipment	1,000	-
Purchase of property and equipment	-	(17,991)
Net cash provided by (used in) investing activities	1,000	(17,991)
Cash Flows From Financing Activities:		
Payments on long-term debt	-	(2,438)
Net cash used in financing activities	-	(2,438)
Net increase in cash	299,585	191,725
Cash - beginning of year	391,138	199,413
Cash - end of year	$ 690,723	$ 391,138

Supplemental Cash Flow Information

Interest paid during the year ended December 31, 2014 and 2013, was $0 and $41, respectively.

See accompanying notes to financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

In these notes, the terms "Organization", "we", "us" or "our" mean Boys & Girls Clubs of Middle Tennessee. We have chosen to present our name how it is recognized nationally as "Boys & Girls Clubs of Middle Tennessee," rather than our official name of "Boys and Girls Clubs of Middle.Tennessee" in accordance with the Secretary of State. We are a nonprofit organization affiliated with the Boys & Girls Clubs of America. Founded in 1917, the Boys & Girls Clubs of Middle Tennessee consist of six Club facilities throughout the region. The goal of the organization is to enable all young people, especially those who need us most, to reach their full potential as productive, caring, and responsible citizens. We strive to improve each child's life by instilling in them a sense of competence, usefulness, belonging, and power/influence. We focus on three priority outcomes: academic success, healthy lifestyles, good character and citizenship.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

> Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
>
> Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may, or will be, met by our actions and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.
>
> Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by us. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes.

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), we believe this information is useful and have included certain summarized financial information from our 2013 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our financial statements as of and for the year ended December 31, 2013, from which it was derived.

Reclassifications

Certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Revenue

We recognize revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organization.

Cash Equivalents

For the purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be a cash equivalent. At December 31, 2014 and 2013, we had no cash equivalents.

Contributions Receivable

Unconditional promises to give (pledges) are recognized as contribution revenue when the donor's commitment is received. Pledges with payments due to us in future periods are recorded as increases in temporarily restricted or permanently restricted net assets at the estimated present value of future cash flows, net of an allowance for estimated uncollectible promises. Allowance is made for uncollectible contributions receivable based upon our analysis of past collection experience and other judgmental factors. At December 31, 2014 and 2013, an allowance of $29,095 and $68,815, respectively, was considered necessary.

In contrast to unconditional promises as described above, conditional promises are not recorded until donor contingencies are substantially met.

Grant Receivable

We recognize grant revenue when the grant is awarded. At December 31, 2014 and 2013, no allowance was considered necessary for uncollectible grant receivables based upon our analysis of past collection experience with grantors.

Prepaid expenses

Prepaid expenses consist of insurance premiums paid by us in advance.

Property and Equipment

Property and equipment is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. Our capitalization policy is to capitalize any expenditure over $5,000 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2014 and 2013, no assets were considered to be impaired.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising is expensed as incurred. Total advertising expense for the years ended December 31, 2014 and 2013, was $33,727 and $9,468, respectively.

Donated Services and Goods

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

We received donated rent for the years ended December 31, 2014 and 2013, of $48,790 and $16,970, respectively. See Note 13.

Income Taxes

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes. We are not subject to examination by U.S. federal or state taxing authorities for years before 2011.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to short maturities of these instruments.

NOTE 2 - Contributions Receivable

Contributions receivable consisted of the following at December 31:

	2014	2013
Due in less than one year	$ 60,646	$ 5,908
Due in one to five years	142,190	181,910
	202,836	187,818
Less: discounts to net present value	(16,964)	(17,363)
Less: allowance for doubtful accounts	(29,095)	(68,815)
Net contributions receivable	$ 156,777	$ 101,640

Contributions receivable as shown on the financial statements as follows at December 31:

	2014	2013
Contributions receivable	$ 60,646	$ 5,908
Asset whose use is limited: Capital campaign assets – contributions receivable - net	96,131	95,732
Net contributions receivable	$ 156,777	$ 101,640

One hundred percent (100%) of the capital campaign contributions receivable are from Board members. Capital campaign activities have been put on hold as management and the board of directors assess the capital needs of the Organization. The initial timing of the expected collection period has been extended due to this re-evaluation. As of April 6, 2015, no capital expenditure commitments have been made.

NOTE 3 - Investments

Investments consisted of the following at December 31:

	2014		2013	
	Market Value	Cost	Market Value	Cost
Mutual Funds	$ 271,161	$ 258,038	$ 243,079	$ 232,500
Common Stock - Public	340,733	219,520	333,664	228,844
First LLC Ownership	136,875	133,506	134,154	133,506
Foreign Stock	10,415	10,371	7,322	6,928
	759,184	621,435	718,219	601,778
Second LLC Ownership (see description below)	250,000	250,000	250,000	250,000
	1,009,184	$ 871,435	968,219	$ 851,778
Less: restricted investments	(475,752)		(476,266)	
	$ 533,432		$ 491,953	

NOTE 3 – Investments (continued)

Investment income (loss) consisted of the following for the years ended December 31:

	2014	2013
Interest and dividend income	$ 16,275	$ 13,617
Realized gain - net	3,851	8,947
Unrealized gain - net	37,721	66,955
Investment fees	(9,476)	(8,701)
Investment income - net	$ 48,371	$ 80,818

At December 31, 2014 and 2013, we owned units of ownership in two limited liability companies. Our ownership is a result of contributions made in 2010 and 2012.

We have elected to report other investments that do not have a readily determinable value, at carrying value, except those for which the fair value option has been elected.

We have recognized the first LLC ownership interest at fair market value in accordance with generally accepted accounting principles under the fair value option. The fair value of the ownership interest is measured annually based on the values of the underlying investment held in the LLC. As of December 31, 2014 and 2013, the fair value of this ownership interest was $136,875 and $134,154, respectively.

The second ownership interest has a carrying value based on the fair value on the date of contribution, but is not remeasured at fair value annually in accordance with generally accepted accounting principles. The value of the second LLC was established by an independent third-party valuator when the ownership interest was received. As of December 31, 2014 and 2013, the carrying value of the second LLC investment was $250,000. As of December 31, 2014, we are not aware of any adverse effects on the value of the investment. As of April 6, 2015, the private company whom we hold stock in, signed a definitive agreement to be purchased by a firm who is publically traded.

NOTE 4 - Fair Value Measurements

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data.

NOTE 4 - Fair Value Measurements (continued)

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2014:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Mutual Funds	$ 271,161	$ 271,161	$ 271,161	$ -	$ -
Common Stocks-Public	340,733	340,733	340,733	-	-
First LLC Ownership	136,875	136,875	-	136,875	-
Foreign Stock	10,415	10,415	10,415	-	-
Beneficial interest in agency endowment fund	27,149	27,149	-	-	27,149
Second LLC Ownership	250,000	n/a	n/a	n/a	n/a
	$ 1,036,333	$ 786,333	$ 622,309	$ 136,875	$ 27,149

As shown on the financial statements as follows at December 31:

	2014	2013
Unrestricted investments	$ 533,432	$ 491,953
Restricted investments	475,752	476,266
	1,009,184	968,219
Beneficial interest in agency endowment fund	27,149	23,438
	$ 1,036,333	$ 991,657

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2013:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Mutual Funds	$ 243,079	$ 243,079	$ 243,079	$ -	$ -
Common Stocks-Public	333,664	333,664	333,664	-	-
First LLC Ownership	134,154	134,154	-	134,154	-
Foreign Stock	7,322	7,322	7,322	-	-
Beneficial interest in agency endowment fund	23,438	23,438	-	-	23,438
Second LLC Ownership	250,000	n/a	n/a	n/a	n/a
	$ 991,657	$ 741,657	$ 584,065	$ 134,154	$ 23,438

There were no transfers between Level 1, Level 2, and Level 3 investments during the years ended December 31, 2014 and 2013.

A reconciliation of changes in the amounts reported for the asset valued using Level 3 inputs is included in Note 9.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2013

NOTE 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2014	2013
Land	$ 26,530	$ 26,530
Buildings and improvements	2,691,748	2,691,748
Vehicles	243,065	241,492
Furniture, equipment and software	502,126	496,754
	3,463,469	3,456,524
Less accumulated depreciation	(2,232,373)	(2,158,097)
Net property and equipment	$ 1,231,096	$ 1,298,427

Total depreciation expense for the years ended December 31, 2014 and 2013, was $67,920 and $75,362, respectively.

The Thompson Lane facility is not currently in use and has a net book value of approximately $21,965 as of December 31, 2014 and 2013.

NOTE 6 - Membership Rights

During 2007, we entered into a membership purchase agreement with the Golf Club of Tennessee (the "Club") and paid $300,000 for membership rights. We received a restricted contribution to finance the membership, which allows for 10 years of annual fundraising golf tournaments at the Club and the right to unlimited use of the Club's facilities for the cultivation and solicitation of donors. We have no equity or ownership or any other property interest in the Club. We are amortizing the cost of the membership rights over the term of the agreement. For the years ended December 31, 2014 and 2013, we reported amortization expense of $30,000.

Amortization expense will be $30,000 each year for the years 2015 through 2016, respectively, and $7,500 for the year 2017. See Note 7 for inclusion of membership rights, net of amortization.

NOTE 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31:

	2014	2013
Scholarship - Youth of the Year	$ 31,146	$ 31,635
United Way of Williamson County	50,000	50,000
City of Franklin grant	7,614	7,614
Ray White Fund	20,340	20,330
Membership rights - net of amortization	67,500	97,500
Capital Campaign	854,038	853,225
	$ 1,030,638	$ 1,060,304

NOTE 8 - Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at December 31:

	2014	2013
Beneficial interest in agency endowment fund	$ 27,149	23,438
Endowment fund	938,498	938,498
	$ 965,647	961,936

NOTE 9 - Beneficial Interest in Agency Endowment Fund

In the years ended December 31, 2014 and 2013, the Community Foundation of Middle Tennessee, (the Foundation) a non-profit organization, is in control of an endowment fund for us. The endowment has been recorded as permanently restricted. The Foundation has ultimate authority and control over all property of the fund and the income derived therefrom. The endowment is considered a reciprocal transfer and is therefore recorded as an asset on our Statement of Financial Position.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Since the Foundation has control over the fund and the earnings, we have not established an investment policy for the fund nor have we established policies for expenditures from the fund. We are not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by the donors. We recognize contribution income when the Foundation makes a distribution to us. We recognize investment earnings and fees in the Statement of Activities, as they are reported to us by the Foundation.

The following is the balance and activity reported in our financial statements for the years ended December 31:

	2014	2013
Balance - beginning of period	$ 23,438	$ 20,034
Change in value of beneficial interest in agency endowment fund:		
Contributions	2,800	450
Investment income	1,091	3,139
Administrative expenses	(180)	(185)
	3,711	3,404
Balance - end of period	$ 27,149	$ 23,438

NOTE 10 - Endowment Funds

Our endowment consists of funds established by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. Our permanently restricted endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about our endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not we are subject to UPMIFA.

Interpretation of applicable law - The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy - we have a policy of appropriating for distribution each year a payout equal to the total earnings from the funds. Funds released from restriction as of December 31, 2014, were $45,241. Funds released from restriction as of December 31, 2013, were $79,002.

Investment return objective, risk parameters and strategies - The objective of our endowment portfolio is a balanced approach between equities and fixed income securities. The investment horizon is long-term and balances the need for income and growth. The portfolio allows for a 30% to 70% investment in equities and a 30% to 70% investment in fixed income.

A schedule of endowment net asset composition by type of fund as of December 31, 2014, is as follows:

	Unrestricted (Deficit)	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 533,432	$ -	$ 938,498	$ 1,471,930

A schedule of endowment net asset composition by type of fund as of December 31, 2013, is as follows:

	Unrestricted (Deficit)	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 491,953	$ -	$ 938,498	$ 1,430,451

NOTE 11 - Changes in Endowment Fund Net Assets

The following is a schedule of changes in endowment net assets for the years ended December 31:

	Unrestricted (Deficit)	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2013	$ 415,572	$ -	$ 938,498	$ 1,354,070
Contributions	-	-	-	-
Investment income	2,166	11,785	-	13,951
Administrative expenses	-	(8,517)	-	(8,517)
Net appreciation (realized and unrealized)	(2,621)	75,734	-	73,113
Amounts released from restriction	79,002	(79,002)	-	-
Less: Investment earnings deposited to cash account	(2,166)	-	-	(2,166)
Endowment net assets, December 31, 2013	$ 491,953	$ -	$ 938,498	$ 1,430,451
Contributions	-	-	-	-
Investment income	-	15,346	-	15,346
Administrative expenses	-	(9,300)	-	(9,300)
Net appreciation (realized and unrealized)	2,721	39,195	-	41,916
Amounts released from restriction	45,241	(45,241)	-	-
Less: Investment earnings deposited to cash account	(6,483)	-	-	(6,483)
Endowment net assets, December 31, 2014	$ 533,432	$ -	$ 938,498	$ 1,471,930

NOTE 12 - Joint Costs

During the year ended December 31, 2014, we had certain joint costs pertaining to special events that have been allocated between fundraising and program expense as follows:

	Program	Fundraising	Total
Special events	$ 83,926	$ 155,707	$ 239,633

During the year ended December 31, 2013, we had certain joint costs pertaining to special events that have been allocated between fundraising and program expense as follows:

	Program	Fundraising	Total
Special events	$ 46,101	$ 134,722	$ 180,823

All criteria required to allocate joint costs were met during the years ended December 31, 2014 and 2013.

NOTE 13 - Leases

We have an agreement with another organization to lease administrative office space and reimburse certain operating costs through June 2015. The agreement calls for a reimbursement of actual costs to operate the facility including association fees, utilities, janitorial costs, insurance, maintenance and other items. Operating costs reimbursable under the agreement include a prorata share of an office services associate, telephone and internet service, consumable supplies and other items. An accounting of the actual costs is prepared on a semi-annual basis and any adjustment from the projected cost to the actual cost is reimbursed at that time. For the years ended December 31, 2014 and 2013, expenses under this agreement totaled $18,075 and $18,730, respectively.

On December 1, 2007, we entered into a lease agreement for a club facility that has been extended and expires October 31, 2015. Expenses under this agreement totaled $13,200 for the year ended December 31, 2014, and $13,300 for the year ended December 31, 2013.

We also lease various office equipment under operating lease agreements. Equipment rental expense for the years ended December 31, 2014 and 2013, was $8,537 and $7,381, respectively, which is included in equipment rental and maintenance on the Statement of Functional Expenses.

Expenses incurred under operating leases for the year ended December 31, 2014, were $39,822, not including donated rent of $48,790 from two club locations we do not have a lease agreement with and one with whom we do. Expenses incurred under operating leases for the year ended December 31, 2013, were $39,411, not including donated rent of $16,790.

The following is a schedule of future minimum lease payments:

Year Ending December 31,	
2015	$ 27,596
2016	6,008
2017	1,068
2018	1,068
2019	623
Thereafter	-
	$ 36,363

Future minimum lease payments of $9,600 included in 2015 are estimated at the same monthly payment of $1,600 and a time period of one year. This is due to a verbal commitment to renew the office lease agreement for one year, but a formal lease agreement has not been executed as of April 6, 2015.

NOTE 14 - Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, and various grant, contract and contributions receivables. Grant, contract and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

Three donors represent 72% of total receivables at December 31, 2014. Three donors represent 88% of total receivables at December 31, 2013.

NOTE 14 - Concentrations of Credit Risk (continued)

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe this exposes us to any significant credit risk on our cash.

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Organization's securities is covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to $500,000, including up to $250,000 in cash. The SIPC does not insure against market risk.

NOTE 15 - Employee Benefit Plan

Substantially all of our employees are covered by a defined contribution money purchase plan known as the Boys & Girls Clubs of America Master Pension Plan and Trust (the "Plan"). We fund our share of pension expense for the year in quarterly contributions to the Plan.

The plan provides for elective employer contributions. We contribute five percent of eligible employees' annual compensation to the Plan. Employees become eligible to participate on the plan anniversary date if they are at least 21 years of age and have worked at least 1,000 hours in the immediately preceding twelve months. Employee benefits are fully vested after six years of service as a plan participant.

For the year ended December 31, 2014, we contributed $35,026 to the plan, which is included in employee taxes and fringe benefits on the Statement of Functional Expenses. For the year ended December 31, 2013, we contributed $11,346 to the plan, which is included in employee t
axes and fringe benefits on the Statement of Functional Expenses.

NOTE 16 - Related Parties

We are a locally governed affiliate that is required to pay membership dues to the national organization. In return, we receive support from the national organization which helps fund our programs. During the year ended December 31, 2014, we remitted a total of $8,150 respectively, in membership dues and received $177,341 in funding. As of December 31, 2014, we were due $3,000 from our national affiliate, which is grouped with grants and contract receivable. During the year ended December 31, 2013, we remitted a total of $7,672 respectively, in membership dues and received $192,859 in funding. As of December 31, 2013, we were due $40,209 from our national affiliate, which is grouped with grants and contract receivable.

We are also part of the Tennessee Alliance which is a collective of all Boys & Girls Clubs of Tennessee which raises money to distribute to the Tennessee clubs. During the year ended December 31, 2014, we remitted $22,841 in membership dues and received funding of $154,529. As of December 31, 2014, we were due $40,552 from Tennessee Alliance, which is grouped with grants and contract receivable. During the year ended December 31, 2013, we remitted $12,591 in membership dues and received funding of $100,324. As of December 31, 2013, we were due $21,011 from Tennessee Alliance, which is grouped with grants and contract receivable.

NOTE 17 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2014. As of April 6, 2015, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements, except as indicated in Note 3.