

2012

Financial Statements

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012

(With Independent Accountant's Auditor's Report Thereon)

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2012

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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, Inc.

We have audited the accompanying financial statements of the Boys & Girls Clubs of Middle Tennessee, Inc., which comprise the statement of financial position as of December 31, 2012, 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, Inc. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-matter

As discussed in Note 16 to the financial statements, the previously issued financial statements have been restated to correct certain errors. Our opinion is not modified with respect to that matter.

Patterson Hardee & Ballentine

July 24, 2013

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current Assets:

Cash	\$ 199,413	
Grant and contract receivables	260,916	
Prepaid expenses and deposits	17,274	
Investments	<u>415,752</u>	
Total current assets		\$ 893,355

Property and Equipment - net		1,355,798
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Assets Whose Use is Limited:

Cash	571,900	
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	20,034	
Investments	476,960	
Membership rights - net	127,500	
Capital campaign assets:		
Cash	746,250	
Contributions receivable - net	<u>98,732</u>	
Total assets whose use is limited		<u>2,041,376</u>
		<u><u>\$ 4,290,529</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 24,364	
Accrued expense	32,329	
Notes payable-current portion	<u>2,438</u>	
Total Liabilities		\$ 59,131

Net Assets:

Unrestricted		2,190,022
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Restricted Net Assets:

Temporarily restricted	1,082,844	
Permanently restricted	<u>958,532</u>	
Total restricted net assets		<u>2,041,376</u>

Total Net Assets		<u>4,231,398</u>
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\$ 4,290,529

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Individual gifts and contributions	\$ 811,871	\$ 10,335	\$ 3,850	\$ 826,056
Grants and contracts	417,663	16,495	-	434,158
United Way grants, allocations, and designations	16,053	99,100	-	115,153
Special events	353,790	-	-	353,790
Program service fees	208,711	-	-	208,711
Membership dues and other	15,797	-	-	15,797
Donated rent	16,790	-	-	16,790
Investment income (loss) - net	44,119	-	2,318	46,437
Other	21,604	-	-	21,604
Net assets released resulting from satisfaction of donor restrictions	222,610	(222,465)	(145)	-
Total public support and revenue	<u>2,129,008</u>	<u>(96,535)</u>	<u>\$ 6,023</u>	<u>2,038,496</u>
Expenses:				
Program services				
Comprehensive Youth Development	1,475,143	-	-	1,475,143
Supporting Services				
Management and general	254,304	-	-	254,304
Fundraising	212,412	-	-	212,412
Total expenses	<u>1,941,859</u>	<u>-</u>	<u>-</u>	<u>1,941,859</u>
Increase (decrease) in net assets	<u>187,149</u>	<u>(96,535)</u>	<u>6,023</u>	<u>96,637</u>
Net assets- beginning of year, as previously reported	2,040,609	1,021,879	935,498	3,997,986
Prior period adjustment	<u>(37,736)</u>	<u>157,500</u>	<u>17,011</u>	<u>136,775</u>
Net assets - beginning of year	<u>2,002,873</u>	<u>1,179,379</u>	<u>952,509</u>	<u>4,134,761</u>
Net assets - end of year	<u>\$2,190,022</u>	<u>\$1,082,844</u>	<u>\$ 958,532</u>	<u>\$4,231,398</u>

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services	Supporting Services		
	Comprehensive Youth Development	Management and General	Fundraising	Total
Salaries	\$ 760,787	\$ 110,553	\$ 54,176	\$ 925,516
Employee taxes and fringe benefits	105,505	20,036	9,844	135,385
Total payroll and related expenses	866,292	130,589	64,020	1,060,901
Awards and grants	1,994	212	-	2,206
Communications	12,171	1,042	-	13,213
Depreciation and amortization	88,499	1,806	30,000	120,305
Equipment rental and maintenance	21,966	4,614	-	26,580
Field trips and other youth events	87,621	-	-	87,621
Insurance	44,119	5,111	-	49,230
In-kind expense	16,790	-	-	16,790
Interest expense	355	-	-	355
Marketing	11,610	-	4,976	16,586
Membership dues	21,893	860	-	22,753
Miscellaneous	25,654	5,600	-	31,254
Postage	46	1,045	1,560	2,651
Professional fees	63,123	33,948	10,800	107,871
Rent	18,682	11,276	-	29,958
Special events	11,433	46,840	100,159	158,432
Supplies	79,506	5,633	-	85,139
Training and conferences	14,429	4,533	-	18,962
Transportation	24,231	1,195	897	26,323
Utilities and occupancy costs	64,729	-	-	64,729
	<u>\$ 1,475,143</u>	<u>\$ 254,304</u>	<u>\$ 212,412</u>	<u>\$ 1,941,859</u>

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows From Operating Activities:		
Increase in net assets		\$ 96,637
Adjustments to reconcile increase in net assets		
to net cash used in operating activities:		
Depreciation and amortization	\$ 120,305	
Reinvested net dividend, interest and realized gains		
on investments	(3,636)	
Non-cash donation of stock	(250,000)	
Unrealized gains on investments	(31,588)	
Change in value of beneficial interest in agency		
endowment fund	(3,023)	
Changes in:		
Grant and contract receivables	(210,342)	
Contributions receivable - operating	69,589	
Prepaid insurance	(5,467)	
Assets whose use is limited	121,680	
Accounts payable	(6,194)	
Accrued expenses	(3,121)	
Total adjustments		<u>(201,797)</u>
Net cash used in operating activities		<u>(105,160)</u>
Cash Flows From Investing Activities:		
Purchase of investments	<u>(3,000)</u>	
Net cash used by investing activities		(3,000)
Cash Flows From Financing Activities:		
Payments on long-term debt	<u>(7,779)</u>	
Net cash provided by financing activities		<u>(7,779)</u>
Net decrease in cash		(115,939)
Cash - beginning of year, as restated		<u>315,352</u>
Cash - end of year		<u>\$ 199,413</u>

Supplemental Cash Flow Information

Interest paid during the year ended December 31, 2012, was \$355.
Two vehicles were disposed of during the year ended December 31, 2012 with an original cost of \$47,213, salvage value of zero, and net book value of zero.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, Inc. We are a nonprofit organization affiliated with the Boys & Girls Clubs of America. Founded in 1903, the Boys & Girls Clubs of Middle Tennessee consists 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. The Boys & Girls Club strives to improve each child's life by instilling in them a sense of competence, usefulness, belonging, and power/influence. The organization focuses on three priority outcomes: academic success, healthy lifestyles, and 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.

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, 2012, we had no cash equivalents.

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 \$500 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.

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.

Inventory

Inventory consists primarily of donated items, which are recorded at estimated fair values.

Advertising

Advertising is expensed as incurred.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Taxes

We are exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and, therefore, no provision for federal income taxes is reflected in the accompanying financial statements. We have been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2012.

We adopted guidance issued by FASB with respect to accounting for uncertainty in income taxes as of January 1, 2009. A tax position is recognized as a benefit only if it is "more likely than not" the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit greater than 50 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no effect on our financial statements.

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 approximate fair values due to short maturities of these instruments.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to us that is, in substance, unconditional. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. We use the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and our analysis of specific promises made. At December 31, 2012, an allowance of \$84,315 was considered necessary.

NOTE 2 - Contributions Receivable

Contributions receivable consisted of the following at December 31, 2012:

Due in less than one year	\$ 260,916
Due in one to five years	<u>200,410</u>
	461,326
Less: discounts to net present value	(17,363)
Less: allowance for doubtful accounts	<u>(84,315)</u>
Net contributions receivable	<u>\$ 359,648</u>

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 - Contributions Receivable - continued

Operating	\$ 260,916
Capital Campaign	<u>98,732</u>
Net contributions receivable	<u>\$ 359,648</u>

The Organization was notified of a \$500,000 pledge to the capital campaign subject to satisfaction of certain specified conditions. This donation has not been recognized as support as the conditions had not been satisfied as of December 31, 2012.

Over 96% 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 July 24, 2013, no capital expenditure commitments have been made.

NOTE 3 - Investments

Investments consisted of the following at December 31, 2012

	<u>Market Value</u>	<u>Cost</u>
Mutual Funds	\$ 223,324	\$ 207,500
Common Stock - Public	282,613	239,533
LLC Ownership	<u>386,775</u>	<u>N/A</u>
	892,712	<u>\$ 447,033</u>
Less: restricted Investments	<u>(476,960)</u>	
	<u>\$ 415,752</u>	

Investment income (loss) consisted of the following for the year ended December 31, 2012:

Interest and dividend income	\$ 15,307
Realized gain - net	5,014
Unrealized gain - net	34,133
Investment fees	<u>(8,017)</u>
Investment income (loss) - net	<u>\$ 46,437</u>

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4 - Fair Value Measurements

This standard establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standard defines fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. The adoption of the standard had no impact on any investment's financial position or results of operations. The standard applies to all assets and liabilities measured and reported on a fair value basis and enables 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. The statement requires each asset and liability carried at fair value be 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.

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, 2012 :

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 223,324	\$ 223,324	\$ -	\$ -
Common Stocks-Public	282,613	282,613	-	-
LLC Ownership	386,775	-	386,775	-
Beneficial interest in agency				
Endowment fund	<u>20,034</u>	<u>-</u>	<u>-</u>	<u>20,034</u>
	<u>\$ 912,746</u>	<u>\$ 505,937</u>	<u>\$ 386,775</u>	<u>\$ 20,034</u>

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended December 31, 2012.

A reconciliation of changes in the amounts reported for the asset valued using Level 3 inputs is included in Note 8.

At December 31, 2012, we owned units of ownership in two limited liability companies (LLCs). Our ownership is a result of contributions made in 2010 and 2012. The carrying amounts of both ownership interests has been recorded at fair market value in accordance with AC 958-325-25-1. The value of one LLC was established by an independent third party valuator using the income method with appropriate discount and capitalization rates. The value of the other LLC interest was established by the investment advisor based on the values of the underlying investments held by the LLC.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5 - Property and Equipment

Property and equipment consisted of the following at December 31, 2012:

Land	\$ 26,530
Buildings and improvements	2,686,748
Vehicles	241,492
Furniture, equipment and software	<u>487,552</u>
	3,442,322
Less accumulated depreciation	<u>(2,086,524)</u>
Net property and equipment	<u>\$ 1,355,798</u>

Depreciation expense totaled \$90,305 for the year ended December 31, 2012.

The Thompson Lane facility is not currently in use and has a net book value of approximately \$25,655 as of December 31, 2012.

NOTE 6 - Notes Payable

Notes payable consisted of the following at December 31, 2012:

Note payable to bank. Principal and interest payments of \$499 due monthly with remaining balance of principal and interest due May 30, 2013. Interest is charged at 5.55%; secured by a vehicle.	<u>\$ 2,438</u>
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Annual future maturities of notes payable are as follows as of December 31, 2012:

Year Ending December 31,

2013	<u>\$ 2,438</u>
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NOTE 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2012:

Scholarship - Youth of the Year	\$ 32,877
United Way of Williamson County	49,550
City of Franklin grant	7,614
Ray White Fund	20,320
Membership rights-net	127,500
Capital Campaign	<u>844,983</u>
	<u>\$ 1,082,844</u>

See prior period adjustment at Note 16.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 8 - Permanently Restricted Net Assets

We have a beneficial interest in the Boys & Girls Clubs of Middle Tennessee's Agency Endowment Fund held by the Community Foundation of Middle Tennessee (the "Foundation"). The Foundation has ultimate authority and control over all property of the fund and the income derived there from; however, the endowment is considered to be a reciprocal transfer and is therefore recorded as a permanently restricted asset. The balance of the fund at December 31, 2012 was \$20,034.

A schedule of changes in our beneficial interest in this fund follows for the year ended December 31, 2012:

Balance - beginning of period	\$ 17,011
Change in value of beneficial interest in agency endowment fund:	
Contributions	850
Investment income	2,318
Administrative expenses	<u>(145)</u>
	<u>3,023</u>
Balance - end of period	\$ <u>20,034</u>

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 UPMIF A. Financial accounting standards also require additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not we are subject to UPMIF A.

Interpretation of applicable law - The Board of Directors has interpreted UPMIF A 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 UPMIF A.

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, 2012, was \$51,506.

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.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 8 - Permanently Restricted Net Assets - continued

A schedule of endowment net asset composition by type of fund as of December 31, 2012, follows:

	Unrestricted (Deficit)	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	Total
Endowment funds	\$ 288,224	\$ -	\$ 938,498	\$ 1,226,722

A schedule of changes in endowment net assets follows for the year ended December 31:

	<u>Unrestricted (Deficit)</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	Total
Endowment net assets, January 1, 2012	\$ (5,410)	\$ -	\$ 935,498	\$ 930,088
Contributions	250,000	-	3,000	253,000
Investment income	(7,872)	14,562	-	6,690
Net appreciation (realized and unrealized)	-	37,141	-	37,141
Amounts released from restriction	51,506	(51,703)	-	(197)
Endowment net assets, December 31, 2012	\$ 288,224	\$ -	\$ 938,498	\$ 1,226,722

Permanently restricted net assets consisted of the following at December 31, 2012:

Agency Endowment	\$ 20,034
Endowment Fund	938,498
	<u>\$ 958,532</u>

NOTE 10 - 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 year ended December 31, 2012, we reported amortization expense of \$30,000. Amortization expense will be \$30,000 each year for the years 2013 through 2016, respectively, and \$7,500 for the year 2017. See Note 7 for inclusion of membership rights, net, as temporarily restricted net assets and Note 16 for prior period adjustment.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 11 - Leases

We have an agreement with another organization to lease administrative office space and reimburse certain operating costs through June 2014. 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. Expenses under this agreement totaled \$17,348 for the year ended December 31, 2012.

On December 1, 2007, we entered into a lease agreement for a club facility that has been extended and expires October 31, 2013. Expenses under this agreement totaled \$12,600 for the year ended December 31, 2012.

In April 2010, we entered into a lease for office equipment that expires June 2013.

Expenses incurred under operating leases for the year ended December 31, 2012 were \$39,615, including donated rent of \$16,790.

A schedule of future minimum lease payments required under all noncancelable operating leases as of December 31, 2012, follows:

Year Ending December 31,

2013	\$ 28,476
2014	16,332
2015	5,928
2016	4,920
2017	-
Thereafter	<u>-</u>
	<u>\$ 55,676</u>

Future minimum lease payments of \$9,870 included in 2014 are estimated at the same monthly payment of \$1,645 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 July 24, 2013.

NOTE 12 - 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. Contributions receivable from two donors represent 49% of total contributions receivable before discount and allowance at December 31, 2012. One donor represented 30% of individual gifts and contributions revenue for the year ended December 31, 2012.

We maintain cash accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation up to statutory limits. As of December 31, 2012, all cash accounts of the Organization were fully insured.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 12 - Concentrations of Credit Risk (Continued)

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 13 - Employee Benefit Plan

Substantially all of our employees are covered by a defined contribution pension plan known as the Boys & Girls Clubs of America Pension 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, 2012, we contributed \$4,570 to the plan, which is included in employee taxes and fringe benefits on the Statement of Functional Expenses.

NOTE 14 - 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, 2012, we remitted a total of \$7,469 in membership dues and received \$149,597 in funding.

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, 2012, we remitted \$12,139 in membership dues and received funding of \$85,624. As of December 31, 2012 we were due \$36,048 from Tennessee Alliance.

NOTE 15 - Contingencies

We have been named as a defendant in one lawsuit filed by a participant in a joint program between us and another organization. As of December 31, 2012 and as of July 24, 2013, the date the financial statements were available to be issued, we plan to vigorously defend our position and believe the lawsuit should be dismissed.

NOTE 16 - Prior Period Adjustments

Restatement of classes of net assets:

A prior period adjustment at the beginning of the fiscal year was made to correct errors in previously reported unrestricted, temporarily restricted and permanently restricted net assets. The effect of the restatement was a decrease to unrestricted net assets by \$174,511, an increase to temporarily restricted net assets by \$157,500, and an increase to permanently restricted net assets by \$17,011.

Restatement of cash:

For proper presentation on the Statement of Cash Flows, cash was restated as \$315,352. Cash as of December 31, 2011, was \$370,420. Two cash accounts totaling \$55,068, which were included in the \$370,420 as of December 31, 2011, were restated as restricted cash in the financial statements for the year ended December 31, 2012.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 16 - Prior Period Adjustments (Continued)

Restatement of investment assets:

A prior period adjustment was made to properly record the value of LLC ownership at the beginning of the fiscal year.

NOTE 17 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2012. As of July 24, 2013, the date that the financial statements were available to be issued, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the period ended December 31, 2012.

