

**BOYS AND GIRLS CLUB OF
TRENTON/MERCER COUNTY, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.

YEARS ENDED JUNE 30, 2012 AND 2011

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Independent Auditor's Report

To the Board of Directors of
The Boys and Girls Club of Trenton/Mercer County, Inc.

I have audited the accompanying statements of financial position of The Boys and Girls Club of Trenton/Mercer County, Inc. as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The Boys and Girls Club of Trenton/Mercer County, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Boys and Girls Club of Trenton/Mercer County, Inc. as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Organization has corrected an error in its prior year allocation of net assets. That correction was limited to the allocation of net assets and the related footnotes.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 23, 2012 on my consideration of The Boys and Girls Club of Trenton/Mercer County, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, reading "Henry B. Murphy". The signature is written in a cursive style with a prominent "H" and "M".

August 23, 2012

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
 STATEMENTS OF FINANCIAL POSITION
 AS OF JUNE 30,

ASSETS	2012	2011
Cash and cash equivalents	\$ 2,045,023	\$ 1,840,227
Investments	181,388	65,450
Accounts receivable	184,000	244,947
Security deposit	2,500	2,500
Property and equipment	615,280	508,804
TOTAL ASSETS	<u>\$ 3,028,191</u>	<u>\$ 2,661,928</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 61,409	\$ 67,339
Accrued expenses		
Audit	9,500	9,500
Payroll	47,475	33,943
Pension plan	98,536	117,497
Deferred revenue	93,069	42,737
Note payable	28,960	38,702
Total liabilities	<u>338,949</u>	<u>309,718</u>
Net Assets		
Unrestricted		
Not designated	1,363,227	1,197,175
Board designated	40,000	190,000
Temporarily Restricted	1,142,415	921,435
Permanently Restricted	143,600	43,600
Total Net Assets	<u>2,689,242</u>	<u>2,352,210</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,028,191</u>	<u>\$ 2,661,928</u>

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support				
Government grants	\$ 1,369,466	\$ -	\$ -	\$ 1,369,466
Other non-government grants and contributions	285,288	1,031,172	100,000	1,416,460
Service fees	856,503	-	-	856,503
Bike Exchange revenue	89,401	-	-	89,401
Membership fees	22,070	-	-	22,070
Special events:				
Revenue	206,403	-	-	206,403
Direct expenses	(65,010)	-	-	(65,010)
Investment income	1,628	-	-	1,628
Rents	5,175	-	-	5,175
Other	10,007	-	-	10,007
Net assets released from restriction	810,192	(810,192)	-	-
Total revenue and other support	<u>3,591,123</u>	<u>220,980</u>	<u>100,000</u>	<u>3,912,103</u>
Expenses				
Program services	3,111,326	-	-	3,111,326
Fundraising	270,629	-	-	270,629
Management and general	193,116	-	-	193,116
Total expenses	<u>3,575,071</u>	<u>-</u>	<u>-</u>	<u>3,575,071</u>
Increase in net assets	<u>16,052</u>	<u>220,980</u>	<u>100,000</u>	<u>337,032</u>
Net assets, beginning of year	1,387,175	921,435	43,600	2,352,210
Net assets, end of year	<u>\$ 1,403,227</u>	<u>\$ 1,142,415</u>	<u>\$ 143,600</u>	<u>\$ 2,689,242</u>

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support				
Government grants	\$ 1,412,233	\$ -	\$ -	\$ 1,412,233
Other non-government grants and contributions	355,676	1,235,331	-	1,591,007
Service fees	769,287	-	-	769,287
Bike Exchange revenue	121,844	-	-	121,844
Membership fees	15,302	-	-	15,302
Special events:				
Revenue	82,050	-	-	82,050
Direct expenses	(16,766)	-	-	(16,766)
Investment income	14,756	-	-	14,756
Rents	12,535	-	-	12,535
Other	10,176	-	-	10,176
Net assets released from restriction	1,098,247	(1,098,247)	-	-
Total revenue and other support	3,875,341	137,084	-	4,012,425
Expenses				
Program services	3,102,501	-	-	3,102,501
Fundraising	174,440	-	-	174,440
Management and general	183,739	-	-	183,739
Total expenses	3,460,680	-	-	3,460,680
Increase in net assets	414,661	137,084	-	551,745
Net assets, beginning of year	972,514	784,351	43,600	1,800,465
Net assets, end of year	<u>\$ 1,387,175</u>	<u>\$ 921,435</u>	<u>\$ 43,600</u>	<u>\$ 2,352,210</u>

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2012

	Program Services	Fund Raising	Management and General	Total
Expenses				
Salaries	\$ 1,938,755	\$ 133,499	\$ 89,056	\$ 2,161,310
Payroll taxes	164,904	11,355	7,575	183,834
Employee benefits	129,477	8,916	5,947	144,340
Pension expense	74,981	5,163	3,444	83,588
Total compensation	<u>2,308,117</u>	<u>158,933</u>	<u>106,022</u>	<u>2,573,072</u>
Fees for services				
Audit	-	-	9,500	9,500
Accounting	-	-	16,400	16,400
Payroll related services	-	-	28,725	28,725
Other contract services	186,552	108,026	-	294,578
Total Fees for services	<u>186,552</u>	<u>108,026</u>	<u>54,625</u>	<u>349,203</u>
Other expenses				
Program supplies	308,064	-	-	308,064
Occupancy	79,111	-	-	79,111
Depreciation	62,510	-	-	62,510
Travel	77,207	-	-	77,207
Insurance	37,024	-	18,512	55,536
Office expense	19,527	3,670	13,957	37,154
Payments to BGCA and BGCNJ	13,814	-	-	13,814
Licenses, permits, and criminal checks	6,252	-	-	6,252
Other expenses	3,177	-	-	3,177
Interest expense	1,971	-	-	1,971
Grants to individuals	3,323	-	-	3,323
Conferences, conventions, and meetings	4,677	-	-	4,677
Total expenses	<u>\$ 3,111,326</u>	<u>\$ 270,629</u>	<u>\$ 193,116</u>	<u>\$ 3,575,071</u>

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2011

	Program Services	Fund Raising	Management and General	Total
Expenses				
Salaries	\$ 1,787,345	\$ 140,265	\$ 73,487	\$ 2,001,097
Payroll taxes	196,041	15,385	8,060	219,486
Employee benefits	124,360	9,759	5,113	139,232
Pension expense	115,076	9,031	4,731	128,838
Total compensation	<u>2,222,822</u>	<u>174,440</u>	<u>91,391</u>	<u>2,488,653</u>
Fees for services				
Audit	-	-	9,500	9,500
Accounting	-	-	14,960	14,960
Payroll related services	-	-	23,996	23,996
Other contract services	294,945	-	-	294,945
Total Fees for services	<u>294,945</u>	<u>-</u>	<u>48,456</u>	<u>343,401</u>
Other expenses				
Program supplies	292,910	-	-	292,910
Occupancy	97,730	-	-	97,730
Depreciation	58,251	-	-	62,510
Travel	72,881	-	-	72,881
Insurance	35,368	-	17,684	53,052
Office expense	-	-	26,208	26,208
Payments to BGCA and BGCNJ	12,163	-	-	12,163
Licenses, permits, and criminal checks	4,622	-	-	4,622
Other expenses	1,387	-	-	1,387
Interest expense	2,515	-	-	2,515
Grants to individuals	3,468	-	-	3,468
Conferences, conventions, and meetings	3,439	-	-	3,439
Total expenses	<u>\$ 3,102,501</u>	<u>\$ 174,440</u>	<u>\$ 183,739</u>	<u>\$ 3,464,939</u>

See accompanying notes to the financial statements.

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
 STATEMENT OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30,

	2012	2011
Cash flows from operating activities:		
Increase in net assets	\$ 337,032	\$ 551,745
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	62,510	58,251
Unrealized gain (loss) on investments	5,494	(8,469)
Dividends and interest	(7,122)	(6,287)
Accounts receivable	60,947	36,801
Prepaid expenses	-	2,575
Accounts payable and accrued expenses	(11,359)	14,676
Deferred revenue	50,332	10,329
Net cash provided by (used in) operations	<u>497,834</u>	<u>659,621</u>
Cash flows from investing activities:		
Dividends and interest	7,122	6,287
Purchase of investments	(121,432)	(10,483)
Purchase of property and equipment	(168,986)	(90,402)
Net cash provided by (used in) investing activities	<u>(283,296)</u>	<u>(94,598)</u>
Cash flows from financing activities:		
Principal payments on note payable	(9,742)	(9,218)
Net cash provided by (used in) financing activities	<u>(9,742)</u>	<u>(9,218)</u>
Net increase (decrease) in cash and cash equivalents	204,796	555,805
Cash and cash equivalents at beginning of year	1,840,227	1,284,422
Cash and cash equivalents at end of year	<u>\$ 2,045,023</u>	<u>\$ 1,840,227</u>

Supplemental disclosure of non-cash investing and financing activities:

Dividends reinvested	\$ 1,432	\$ 483
Interest paid	1,971	2,515

See accompanying notes to the financial statements

**BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

1. Organization and Operations

The Boys and Girls Club of Trenton/Mercer County, Inc. (“the Organization”) is based within the Trenton community. The Organization is committed to helping youth of all backgrounds to develop the qualities needed to become responsible citizens and leaders, through educational, physical, social, cultural, recreation and prevention programs. The Organization provides a center for children to come after school and over the summer to interact with other children in a constructive atmosphere and operates various after school programs at their Trenton site and at the schools themselves.

Funds are provided from diversified sources. The State of New Jersey, the County of Mercer, and the City of Trenton all have contracts with the Organization to provide specific programs. Substantial grants and donations come from corporations, foundations, and individuals. Funds are also provided by several major fundraising events, service fees, investment income, rent from unused space, and a local bike exchange program.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

**BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Cash and Cash Equivalents:

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash consists of demand accounts with PNC Bank, a demand account with the Credit Union of New Jersey, and a money market account with Merrill Lynch.

Investments

Investments with readily determinable fair values are measured at fair value based on quoted market prices in the statement of financial position. Investment income or loss (including gains and losses in investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Concentration of Credit and Market Risk:

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash, cash equivalents, and investments. Investments are maintained at high-quality financial institutions. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is diversified and the dollar amount of those securities is modest in relation to the cash positions.

The bank is insured by the FDIC. The Credit Union of New Jersey is insured by the National Credit Union Administration. The brokerage accounts are covered by SPIC insurance.

Allowance for Doubtful Accounts:

An allowance for doubtful accounts has not been established. It is the opinion of management that all accounts receivable are collectible in full.

Property and Equipment:

Property and equipment are stated at cost. The Organization's policy is to capitalize and depreciate property and equipment expenditures if they are considered to be significant in nature and amount. Depreciation charges with respect to property and equipment have been made by the Organization utilizing the straight-line method over the estimated useful lives of the assets.

**BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

Compensated Absences:

Employees of the Organization are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. It is the policy of the Organization that cash will not be paid for unused compensated absences and the time is not cumulative. Therefore, no liability has been recorded in the accompanying financial statements.

Tax Exempt Status:

The Organization's activity is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and it was granted exemption as a 501(c)(3) in August of 1938. Accordingly, it does not record a provision for income taxes on its related earnings. The Organization regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based upon the technical merits of such positions. Therefore, the Organization has concluded that no tax benefits or liabilities are required to be recognized. Generally, the Internal Revenue Service may examine a tax return for three years from the date it is filed. At June 30, 2012, tax years ended June 30, 2011, 2010, and 2009 remained open for possible examination by the IRS.

Management's Use of Estimates and Assumptions:

Management uses estimates and assumptions in preparing its financial statements in accordance with U.S. generally accepted accounting principles. 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 vary from the estimates that were used.

Revenue and Support:

Grant and Contract Revenue

The Organization accounts for grant and contract revenues, which are exchange transactions, in the Statements of Activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as guidance. Any excess or deficiency of cash receipts over expenditures incurred is reported as deferred revenue or accounts receivable respectively. Upon termination, unexpended cash funds received under the terms of the grant provisions revert to the grantor, and are recorded as refundable advances in the Statements of Financial Position. Grants are subject to audits by the grantor.

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Contributed Services

During the years presented, the value of contributed services meeting the requirements for recognition in the financial statements was not material, and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Contributions and Revenue Recognition:

All contributions are considered available for the Organization's general programs, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support, and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Designation of Unrestricted Net Assets:

It is the policy of the board of directors of the organization to review its plan for future improvements and expansion of available projects and services and to designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements and projects.

Advertising Costs:

The Organization expenses the cost of advertising and promotion as incurred. None were incurred in either 2012 or 2011.

3. Investments

Investments consist of a diversified mutual fund held at major brokerage houses and investments managed by the Princeton Area Community Foundation.

Fair value

	2012	2011
Equity Mutual Fund at Merrill Lynch	\$ 42,219	\$ 43,837
PACF - Endowment	31,615	11,331
PACF - David Der-Arakelian Fund	10,335	10,282
Balanced Mutual Funds at Smith Barney	97,219	-
Total investments	<u>\$ 181,388</u>	<u>\$ 65,450</u>

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Investment return

	For the year ended June 30, 2012			
	Temporarily Permanently			Total
	Unrestricted	Restricted	Restricted	
Dividends and interest	\$ 7,122	\$ -	\$ -	\$ 7,122
Unrealized (loss)	(5,494)	-	-	(5,494)
Realized gain	-	-	-	-
Total investment income	<u>\$ 1,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,628</u>

	For the year ended June 30, 2011			
	Temporarily Permanently			Total
	Unrestricted	Restricted	Restricted	
Dividends and interest	\$ 6,287	\$ -	\$ -	\$ 6,287
Unrealized gain	8,469	-	-	8,469
Realized gain	-	-	-	-
Total investment income	<u>\$ 14,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,756</u>

The mutual funds are carried at fair value, using quoted prices in active markets, known within the Financial Standards Accounting Codification as “Level 1”.

Community Foundation Investment

The Organization invested in an agency endowment fund at the Princeton Area Community Foundation (the “Foundation”). Agency endowment funds are a liability of the Foundation. They represent an interest in a pool of investments designed and managed by the Foundation for long-term charitable purposes. The Foundation values that interest in monthly statements. The Organization records changes in that value as unrealized gain or loss and does not segregate those changes into separate components of interest, dividends, realized gains, unrealized gains, and management fees. The most recently available audited financial statements of the Foundation, which are for the year ended December 31, 2010, show net assets of over \$60 million and received an unqualified opinion from the independent auditor. Those statements show that 32% of the Foundation’s pool of investments has values based on “unobservable measurement criteria”. Because of that, the valuations from the Foundation are based on significant inputs that are unobservable to the Organization, known as “Level 3”.

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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PACF Investment	2012	2011
Beginning balance	\$ 21,613	\$ 9,713
Gains and losses included in changes in net assets	337	1,900
Purchases and sales	20,000	10,000
Transfers in or out of Level 3	-	-
Ending balance	<u>\$ 41,950</u>	<u>\$ 21,613</u>

The amount of total gains and losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

<u>\$ 337</u>	<u>\$ 1,900</u>
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4. Property and Equipment

The following is a summary of property and equipment:

	Estimated useful lives in years	2012	2011
Land	-	\$ 81,358	\$ 81,358
Building and improvements	10-25	1,184,711	1,015,725
Furniture and equipment	5-7	244,658	244,658
Transportation equipment	5-10	235,398	235,398
Total at cost		<u>1,746,125</u>	<u>1,577,139</u>
Accumulated depreciation		<u>(1,130,845)</u>	<u>\$ (1,068,335)</u>
Net book Value		<u>\$ 615,280</u>	<u>\$ 508,804</u>
Depreciation expense		<u>\$ 62,510</u>	<u>\$ 58,251</u>

5. Deferred Revenue

Deferred revenue reflects fees received for the Sports Camp, Teen Travel Program, and Adventure Camp. The programs began after the end of the fiscal year, but fees were received in advance.

6. Note Payable

The note payable is to the Credit Union of New Jersey at the rate of 5.75%, secured by one of the buses. Monthly payments in the amount of \$978 are fully amortizing with the last due February 2015. Annual maturities for each of the next five years are:

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
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FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

2013	\$10,338
2014	10,948
2015	7,655
2016	-
2017	-

7. Net Assets

	2012	2011
Board designated net assets:		
Board designated PACF	\$ 40,000	\$ 20,000
Board designated pool	-	60,000
Board designated DNS	-	85,000
Board designated barber shop	-	25,000
Total board designated net assets	<u>\$ 40,000</u>	<u>\$ 190,000</u>
Temporarily restricted net assets:		
After School	\$ 407,962	\$ 422,341
Capital improvements	396,061	130,700
Summer camp	85,000	68,450
Job Ready - Career Launch	197,254	81,000
Gang prevention program	16,662	14,200
Other time restrictions	39,477	204,744
Total temporarily restricted net assets	<u>\$ 1,142,415</u>	<u>\$ 921,435</u>
Permanently restricted net assets:		
Scholarship at Merrill Lynch	\$ 43,600	\$ 43,600
Charles Evans Foundation Scholarships at Morgan Stanley Smith Barney	100,000	-
Total permanently restricted net assets	<u>\$ 143,600</u>	<u>\$ 43,600</u>

8. Scholarship and Endowment Funds

Interpretation of Relevant Law

The Board of Trustees has designated that long-term assets be held in a manner consistent with the standard of prudence prescribed by state law.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted scholarship fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Funds with Deficiencies

The fair value of assets associated with individual scholarship funds may fall below the level of the fair value of the original, restricted gift. These deficiencies are reported in unrestricted net assets. Restricted net assets continue to reflect the value of the original, restricted amount.

Spending and investment policies

The Organization has adopted investment and spending policies for scholarship assets that attempt to provide funding to programs supported by its endowment while seeking to maintain the fair value of the original gift as of the gift date. The endowment assets are invested with the advice of consultants at Merrill Lynch, Morgan Stanley Smith Barney, and at the Princeton Area Community Foundation in funds at those organizations in a manner that is intended to produce favorable results while assuming a reasonable level of investment risk.

Endowment Net Asset Composition by Type of Fund

	As of June 30, 2012			
	Temporarily Restricted		Permanently Restricted	
	Unrestricted	Restricted	Restricted	Total
Donor-restricted endowment funds Merrill	\$ -	\$ -	\$ 43,600	\$ 43,600
Donor-restricted endowment funds Evans/Smith Barney	-	-	100,000	100,000
Board-designated endowment funds	40,000	-	-	40,000
Total funds	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 143,600</u>	<u>\$ 183,600</u>

	As of June 30, 2011			
	Temporarily Restricted		Permanently Restricted	
	Unrestricted	Restricted	Restricted	Total
Donor-restricted endowment funds Merrill	-	-	43,600	43,600
Board-designated endowment funds PACF	20,000	-	-	20,000
Total funds	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 43,600</u>	<u>\$ 63,600</u>

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Changes in Endowment Net Assets

	Board Designated	Temporarily Restricted	Permanently restricted		Total
			Merrill Lynch	SmithBarney	
Endowment net assets, June 30, 2010	\$ 10,000	\$ -	\$ 33,600	\$ -	\$ 43,600
Investment return	-	-	-	-	-
Contributions	-	-	10,000	-	10,000
Subtotal before expenditures and transfers	10,000	-	43,600	-	53,600
Appropriation for expenditure	-	-	-	-	-
Transfers between classes	10,000	-	-	-	10,000
Endowment net assets, June 30, 2011	20,000	-	43,600	-	63,600
Investment return	-	-	-	-	-
Contributions	-	-	-	100,000	100,000
Subtotal before expenditures and transfers	20,000	-	43,600	100,000	163,600
Appropriation for expenditure	-	-	-	-	-
Transfers between classes	20,000	-	-	-	20,000
Endowment net assets, June 30, 2012	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 43,600</u>	<u>\$ 100,000</u>	<u>\$ 183,600</u>

9. Rental Income

The Organization rents its facilities to various local unrelated organizations on a short-time basis.

10. Operating Lease

There are no minimum future rental payments under non-cancelable operating leases as of June 30, 2012.

11. Pension Plan

The Organization has a defined contribution retirement plan for full time employees with one continuous year of employment and who have reached 21 years of age with vesting over six years. Employer contributions to the plan are discretionary and are often ten percent of compensation. The Organization also maintains a contributory pension plan whereby employees covered by the plan may, at their discretion, contribute up to the current 401(k) plan limits.

12. Subsequent Events

These financial statements considered subsequent events through August 23, 2012, the date the financial statements were available to be issued.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Trustees of
The Boys and Girls Club of Trenton/Mercer County, Inc.
Trenton, New Jersey

I have audited the financial statements of The Boys and Girls Club of Trenton/Mercer County, Inc. as of and for the year ended June 30, 2012, and have issued my report thereon dated August 23, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Boys and Girls Club of Trenton/Mercer County, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Boys and Girls Club of Trenton/Mercer County, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the Organization in a separate letter dated August 23, 2012.

This report is intended solely for the information and use of the Board of Trustees, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 23, 2012

A handwritten signature in black ink that reads "Henry B. Murphy Jr." The signature is written in a cursive style with a horizontal line at the end.

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct And Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees of
The Boys and Girls Club of Trenton/Mercer County, Inc.
Trenton, New Jersey

Compliance

I have audited The Boys and Girls Club of Trenton/Mercer County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Boys and Girls Club of Trenton/Mercer County's major federal and state programs for the year ended June 30, 2012. The Boys and Girls Club of Trenton/Mercer County's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of The Boys and Girls Club of Trenton/Mercer County's management. My responsibility is to express an opinion on The Boys and Girls Club of Trenton/Mercer County's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Boys and Girls Club of Trenton/Mercer County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of The Boys and Girls Club of Trenton/Mercer County's compliance with those requirements.

In my opinion, The Boys and Girls Club of Trenton/Mercer County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of The Boys and Girls Club of Trenton/Mercer County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In

planning and performing my audit, I considered The Boys and Girls Club of Trenton/Mercer County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of The Boys and Girls Club of Trenton/Mercer County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



August 23, 2012

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012

State Grantor Department & Program Title	State Account Number	Federal CFDA	Program or Grant Amount	Program or Grant Period	Disbursements During This Fiscal Year	Total Disbursements Through This Fiscal Year
Division of Family Development	CC11200		\$ 52,004	05/1/11 to 09/30/11	\$ 25,990	\$ 52,004
NJ Department of Education	10-EK15-H05	84.287C	535,000	09/01/10 to 08/31/11	108,098	535,000
Office of Educational Support Services	11-EK17-H05	84.287C	535,000	09/01/11 to 08/31/12	445,397	453,486
21st Century Community Learning Centers Program						
Department of Children and Families						
Gang Prevention Through Targeted Outreach	12AKLP		100,000	07/01/11 to 06/30/12	100,000	100,000
Department of Law and Public Safety	RJAG-3-5-09	16.803	100,000	04/01/10 to 07/31/11	40,683	100,000
Division of Criminal Justice	RJAG-3-51-09	16.803	100,000	08/01/11 to 07/31/12	82,607	82,607
	JAG 3-15-09	16.738	119,244	07/01/11 to 08/31/12	93,539	93,539
NJ Department of Agriculture	11-21-1107		36,630	Note 1 10/01/10 to 09/30/11	2,232	28,925
Division of Food & Nutrition	12-21-1107		47,880	Note 1 10/01/11 to 09/30/12	24,235	24,235
Child and Adult Food Program						
US Department of Agriculture pass through						
Total State Awards					\$ 922,781	\$ 1,469,796

Note 1: Department of Agriculture program or grant amounts are estimated contract ceilings at the beginning of the period.

See notes to this schedule.

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURE OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

1. General

The accompanying schedule of expenditures of state awards presents the activity of the state grant award program of Boys & Girls Club of Trenton/Mercer County, Inc (“the Organization”). The nature of the Organization is described in Note 1 of the general financial statements. All state awards received directly from state agencies, as well as federal and state financial assistance passed through other government agencies, are included on the schedule of expenditures of state awards.

2. Basis of Accounting

The accompanying schedule of expenditures of state awards is presented using the accrual basis of accounting. This basis of accounting is described in Note 2 to the Organization’s general financial statements.

3. Relationship to General Financial Statements

Amounts reported in the accompanying schedules agree with the amounts reported in the Organization’s financial statements.

4. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related state’s financial reports.

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? ___ Yes X No

Significant deficiency identified? ___ Yes X None reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal and State Awards

Internal control over major programs:

Material weakness identified? ___ Yes X No

Significant deficiency identified? ___ Yes X None reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings that are required to be reported accordance with section 510 (a) of Circular A-133 ___ Yes X No

Identification of major program:

CFDA/CONTRACT NUMBER

Name of Federal or State Program

84.287C
10-EK15-H05

21st Century Community Learning Centers Program

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? X Yes ___ No

SECTION II - FINANCIAL STATEMENTS FINDINGS

None

Section III - FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

None

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

There were no audit findings or questioned costs for the year ended June 30, 2011.