

BOYS AND GIRLS CLUB OF
TRENTON/MERCER COUNTY, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

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

YEARS ENDED JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of The Boys and Girls Club of Trenton/Mercer County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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, as required by the State of New Jersey Circular OMB 04-04, *Single Audit Policy For Recipients Of Federal Grants, State Grants And State Aid*, is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 13, 2013, 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, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Boys and Girls Club of Trenton/Mercer County, Inc.'s internal control over financial reporting and compliance.



September 13, 2013

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

ASSETS	2013	2012
Cash and cash equivalents	\$ 2,816,057	\$ 2,045,023
Investments	461,944	181,388
Accounts receivable	295,451	184,000
Security deposit	34,000	2,500
Property and equipment	573,971	615,280
TOTAL ASSETS	<u>\$ 4,181,423</u>	<u>\$ 3,028,191</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 18,327	\$ 61,409
Accrued expenses		
Audit	10,000	9,500
Payroll	37,345	47,475
Pension plan	110,207	98,536
Deferred revenue	36,012	93,069
Note payable	18,651	28,960
Total liabilities	<u>230,542</u>	<u>338,949</u>
Net Assets		
Unrestricted		
Not designated	1,398,091	1,363,227
Board designated	40,000	40,000
Temporarily Restricted	2,369,190	1,142,415
Permanently Restricted	143,600	143,600
Total Net Assets	<u>3,950,881</u>	<u>2,689,242</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,181,423</u>	<u>\$ 3,028,191</u>

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support				
Government grants	\$ 1,148,418	\$ -	\$ -	\$ 1,148,418
Other non-government grants and contributions	278,284	2,369,190	-	2,647,474
Service fees	712,547	-	-	712,547
Bike Exchange revenue	76,837	-	-	76,837
Membership fees	9,212	-	-	9,212
Special events:				
Revenue	108,817	-	-	108,817
Direct expenses	(29,705)	-	-	(29,705)
Investment income	30,777	-	-	30,777
Rents	26,078	-	-	26,078
Other	4,012	-	-	4,012
Net assets released from restriction	1,142,415	(1,142,415)	-	-
Total revenue and other support	3,507,692	1,226,775	-	4,734,467
Expenses				
Program services	2,971,411	-	-	2,971,411
Fundraising	318,274	-	-	318,274
Management and general	183,143	-	-	183,143
Total expenses	3,472,828	-	-	3,472,828
Increase in net assets	34,864	1,226,775	-	1,261,639
Net assets, beginning of year	1,403,227	1,142,415	143,600	2,689,242
Net assets, end of year	\$ 1,438,091	\$ 2,369,190	\$ 143,600	\$ 3,950,881

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	3,591,123	220,980	100,000	3,912,103
Expenses				
Program services	3,111,326	-	-	3,111,326
Fundraising	270,629	-	-	270,629
Management and general	193,116	-	-	193,116
Total expenses	3,575,071	-	-	3,575,071
Increase in net assets	16,052	220,980	100,000	337,032
Net assets, beginning of year	1,387,175	921,435	43,600	2,352,210
Net assets, end of year	\$ 1,403,227	\$ 1,142,415	\$ 143,600	\$ 2,689,242

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, 2013

	Program Services	Fund Raising	Management and General	Total
Expenses				
Salaries	\$ 1,789,478	\$ 140,145	\$ 93,255	\$ 2,022,878
Payroll taxes	158,246	12,393	8,247	178,886
Employee benefits	132,294	10,361	6,894	149,549
Pension expense	87,187	6,828	4,544	98,559
Total compensation	<u>2,167,205</u>	<u>169,727</u>	<u>112,940</u>	<u>2,449,872</u>
Fees for services				
Audit	-	-	10,000	10,000
Accounting	-	-	3,600	3,600
Payroll related services	-	-	21,766	21,766
Other contract services	181,196	144,732	-	325,928
Total Fees for services	<u>181,196</u>	<u>144,732</u>	<u>35,366</u>	<u>361,294</u>
Other expenses				
Program supplies	304,421	-	-	304,421
Occupancy	84,709	-	-	84,709
Depreciation	77,017	-	-	77,017
Travel	68,883	-	-	68,883
Insurance	41,240	-	20,620	61,860
Office expense	4,979	3,815	14,217	23,011
Payments to BGCA and BGCNJ	14,427	-	-	14,427
Licenses, permits, and criminal checks	3,123	-	-	3,123
Other expenses	-	-	-	-
Interest expense	1,411	-	-	1,411
Grants to individuals	22,800	-	-	22,800
Conferences, conventions, and meetings	-	-	-	-
Total expenses	<u>\$ 2,971,411</u>	<u>\$ 318,274</u>	<u>\$ 183,143</u>	<u>\$ 3,472,828</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 & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
 STATEMENT OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30,

	2013	2012
Cash flows from operating activities:		
Increase in net assets	\$ 1,261,639	\$ 337,032
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	77,017	62,510
Unrealized (gain) loss on investments	(19,555)	5,494
Dividends and interest	(11,212)	(7,122)
Accounts receivable	(111,451)	60,947
Accounts payable and accrued expenses	(41,041)	(11,359)
Deferred revenue	(57,057)	50,332
Net cash provided by (used in) operations	<u>1,098,340</u>	<u>497,834</u>
Cash flows from investing activities:		
Dividends and interest	11,212	7,122
Purchase of investments	(292,501)	(121,432)
Purchase of property and equipment	(35,708)	(168,986)
Net cash provided by (used in) investing activities	<u>(316,997)</u>	<u>(283,296)</u>
Cash flows from financing activities:		
Principal payments on note payable	(10,309)	(9,742)
Net cash provided by (used in) financing activities	<u>(10,309)</u>	<u>(9,742)</u>
Net increase (decrease) in cash and cash equivalents	771,034	204,796
Cash and cash equivalents at beginning of year	2,045,023	1,840,227
Cash and cash equivalents at end of year	<u>\$ 2,816,057</u>	<u>\$ 2,045,023</u>
Supplemental disclosures:		
Dividends reinvested	\$ 483	\$ 1,432
Interest paid	1,411	1,971

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, 2013 AND 2012**

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 local bike and computer exchange programs.

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
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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, Bank of America, 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, 2013 AND 2012**

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, 2013, tax years ended June 30, 2012, 2011 and 2010 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, 2013 AND 2012

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 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 2013 or 2012.

3. Investments

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

Fair value

	2013	2012
Equity Mutual Fund at Merrill Lynch	\$308,432	\$42,219
PACF - Endowment	31,614	31,615
PACF - David Der-Arakelian Fund	11,062	10,335
Balanced Mutual Funds at Smith Barney	110,836	97,219
Total investments	<u>\$461,944</u>	<u>\$181,388</u>

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Investment return

	For the year ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 11,212	\$ -	\$ -	\$ 11,212
Unrealized gain	19,555	-	-	19,555
Realized gain	-	-	-	-
Total investment income	<u>\$ 30,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,767</u>

	For the year ended June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>

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, 2012, show net assets of over \$63 million and received an unqualified opinion from the independent auditor. Those statements show that 53% 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	2013	2012
Beginning balance	\$ 41,950	\$ 21,613
Gains and losses included in changes in net assets	727	337
Purchases and sales	-	20,000
Transfers in or out of Level 3	-	-
Ending balance	<u>\$ 42,677</u>	<u>\$ 41,950</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>\$ 727</u>	<u>\$ 337</u>
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4. Property and Equipment

The following is a summary of property and equipment:

	Estimated useful lives in years	2013	2012
Land	-	\$ 81,358	\$ 81,358
Building and improvements	10-25	1,204,911	1,184,711
Construction in progress	N/A	11,767	-
Furniture and equipment	5-7	248,399	244,658
Transportation equipment	5-10	235,398	235,398
Total at cost		<u>1,781,833</u>	<u>1,746,125</u>
Accumulated depreciation		<u>(1,207,862)</u>	<u>(1,130,845)</u>
Net book Value		<u>\$ 573,971</u>	<u>\$ 615,280</u>
Depreciation expense		<u>\$ 79,089</u>	<u>\$ 62,510</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.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

2014	\$10,948
2015	7,703
2016 through 2018	None

7. Net Assets

	2013	2012
Board designated net assets:		
Board designated PACF	\$ 40,000	\$ 40,000
Total board designated net assets	<u>\$ 40,000</u>	<u>\$ 40,000</u>
Temporarily restricted net assets:		
After School program	\$ 354,396	\$ 407,961
Capital improvements	1,891,704	396,061
Summer camp	-	85,000
Job Ready - Career Launch	120,140	197,254
Gang prevention program	-	16,662
Other time restrictions	2,950	39,477
Total temporarily restricted net assets	<u>\$ 2,369,190</u>	<u>\$ 1,142,415</u>
Permanently restricted net assets:		
Scholarship at Merrill Lynch	\$ 43,600	\$ 43,600
Charles Evans Foundation Scholarships at Morgan Stanley Smith Barney	100,000	100,000
Total permanently restricted net assets	<u>\$ 143,600</u>	<u>\$ 143,600</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:

- (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

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

- (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.

	As of June 30, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds PACF	\$ -	\$ -	\$ -	\$ -
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	\$ 40,000	\$ -	\$ 143,600	\$ 183,600

	As of June 30, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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	\$ 40,000	\$ -	\$ 143,600	\$ 183,600

BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Changes in Endowment Net Assets

	Board Designated	Temporarily Restricted	Permanently restricted		Total
			Merrill Lynch	Morgan Stanley	
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	40,000	-	43,600	100,000	183,600
Investment return	-	-	-	-	-
Contributions	-	-	-	-	-
Subtotal before expenditures and transfers	40,000	-	43,600	100,000	183,600
Appropriation for expenditure	-	-	-	-	-
Transfers between classes	-	-	-	-	-
Endowment net assets, June 30, 2013	\$40,000	\$-	\$43,600	\$100,000	\$183,600

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, 2013.

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.

**BOYS AND GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

12. New Community Center

The Organization is in the early stages of planning a new community center. This anticipated 35,000 square foot facility would require about two years to complete. Substantial funds have already been raised, and significantly more funds are expected to be raised. As a result, the anticipated total cost of about \$5 million might require financing of \$1.5 to \$2 million.

13. Subsequent Events

These financial statements considered subsequent events through September 13, 2013, the date the financial statements were available to be issued.

INDEPENDENT AUDITOR'S 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.

I have audited, in accordance with the 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, the financial statements of The Boys and Girls Club of Trenton/Mercer County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated September 13, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered The Boys and Girls Club of Trenton/Mercer County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Boys and Girls Club of Trenton/Mercer County, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Henry B. Murphy". The signature is written in a cursive, flowing style.

September 13, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major State Program

I have audited The Boys and Girls Club of Trenton/Mercer County, Inc.'s compliance with the types of compliance requirements described in the Federal *OMB Circular A-133 Compliance Supplement* and the New Jersey Circular OMB 04-04 *Single Audit Policy For Recipients Of Federal Grants, State Grants And State Aid* that could have a direct and material effect on each of The Boys and Girls Club of Trenton/Mercer County, Inc.'s major state programs for the year ended June 30, 2013. The Boys and Girls Club of Trenton/Mercer County, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of The Boys and Girls Club of Trenton/Mercer County, Inc.'s major state programs based on my audit of the types of compliance requirements referred to above. I conducted our 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey Circular OMB 04-04 *Single Audit Policy For Recipients Of Federal Grants, State Grants And State Aid*. Those standards and the Circulars 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, Inc.'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 on compliance for each major state program. However, my audit does not provide a legal determination of The Boys and Girls Club of Trenton/Mercer County, Inc.'s compliance.

Opinion on Each Major State Program

In my opinion, The Boys and Girls Club of Trenton/Mercer County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could

have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of The Boys and Girls Club of Trenton/Mercer County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered The Boys and Girls Club of Trenton/Mercer County, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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, Inc.'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



September 13, 2013

**BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
 SCHEDULE OF EXPENDITURES OF STATE AWARDS AND FEDERAL PASSTHROUGH AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013**

State Grantor Department & Program Title	Account Number	Federal CFDA	Program or Grant Amount	Program or Grant Period	Disbursements	Total
					During This Fiscal Year	Disbursements Through This Fiscal Year
NJ Department of Education	11-EK17-H05	84.287C	\$ 535,000	09/01/11 to 08/31/12	\$ 81,514	\$ 535,000
Office of Educational Support Services	12-EK19-H15	84.287C	535,000	09/01/12 to 08/31/13	516,220	516,220
21st Century Community Learning Centers Program						
Department of Law and Public Safety	JAG 3-15-09	16.738	119,244	07/01/11 to 08/31/12	25,705	119,244
Division of Criminal Justice	RJAG-3-51-09	16.803	100,000	08/01/11 to 07/31/12	17,393	100,000
	JAG 3-27-09	16.738	97,780	08/31/12 to 08/31/13	81,923	81,923
NJ Department of Agriculture	12-21-1107		47,880	Note 1	2,651	26,886
Division of Food & Nutrition	13-21-1107		45,480	Note 1	24,079	24,079
Child and Adult Food Program						
US Department of Agriculture pass through						
Total State Awards					\$ 749,485	\$ 1,403,352
Note 1: Department of Agriculture program or grant amounts are estimated contract ceilings at the beginning of the period.						
Federal Grantor Department & Program Title						
Office of Juvenile Prevention	OJP-2011-23786		\$ 41,122	10/01/11 to 09/30/12	\$ 11,441	\$ 41,122
passed through Boys and Girls Clubs of America	OJP-2011-23800		50,000	10/01/12 to 09/30/13	41,291	50,000
	OJP-2012-29435		14,000	10/01/12 to 09/30/13	13,570	13,570
	OJP-2012-29436		29,000	10/01/12 to 09/30/13	18,287	18,287
Total Federal Awards					\$ 84,589	\$ 122,979

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 or can be reconciled to 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 or can be reconciled to 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, 2013

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 No

Significant deficiency identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal and State Awards

Internal control over major programs:

Material weakness identified? Yes No

Significant deficiency identified? Yes None reported

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

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

Identification of major program:

CFDA/CONTRACT NUMBER Name of Federal or State Program

84.287C
11-EK17-H05 and 12-EK19-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? 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, 2012

Status of Prior Year Findings:

There were no audit findings or questioned costs for the year ended June 30, 2012.