

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
(a nonprofit organization)

FINANCIAL STATEMENTS

JUNE 30, 2015

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
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JUNE 30, 2015

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LEAR & PANNEPACKER, LLP

Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Boys & Girls Club of Trenton/Mercer County, Inc.
Trenton, New Jersey:

Golden Crest Corporate Center
2277 State Highway #33, Suite 408, Hamilton, NJ 08690

Tel: (609) 807-2200 Fax: (609) 981-7373

Report on the Financial Statements

We have audited the accompanying financial statements of Boys & Girls Club of Trenton/Mercer County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 we plan and perform the audits 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 Boys & Girls Club of Trenton/Mercer County, Inc. as of June 30, 2015 and 2014, 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.



Accounting, Tax and Management Advisory Services

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state & federal 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 related 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 our 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*, we have also issued our report dated December 15, 2015, on our consideration of Boys & Girls Club of Trenton/Mercer County, Inc.'s internal control over financial reporting and on our 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 our 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 Boys & Girls Club of Trenton/Mercer County, Inc.'s internal control over financial reporting and compliance.



LEAR & PANNEPACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS
PRINCETON, NEW JERSEY

DECEMBER 15, 2015

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,478,423	\$ 2,291,543
Investments	400,523	359,464
Accounts and grants receivable	193,456	118,452
Prepaid expenses	24,785	22,234
Security deposits	7,212	8,712
Construction bond	<u>349,644</u>	<u>--</u>
Total Current Assets	2,454,043	2,800,405
Property & Equipment, Net	4,257,648	1,652,487
Other Assets:		
Investments – endowment funds	<u>143,600</u>	<u>143,600</u>
Total Other Assets	<u>143,600</u>	<u>143,600</u>
TOTAL ASSETS	<u>\$ 6,855,291</u>	<u>\$ 4,596,492</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 12,250	\$ 20,878
Accrued expenses	144,418	126,251
Deferred revenue	23,891	23,109
Current portion of note payable	<u>--</u>	<u>7,712</u>
Total Current Liabilities	180,559	177,950
Loan payable, Net of Current Portion	950,362	--
Net Assets:		
Unrestricted net assets:		
Undesignated	4,929,557	2,508,864
Board designated	40,000	40,000
Temporarily restricted net assets	611,213	1,726,078
Permanently restricted net assets	<u>143,600</u>	<u>143,600</u>
Total Net Assets	<u>5,724,370</u>	<u>4,418,542</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,855,291</u>	<u>\$ 4,596,492</u>

See Notes to Financial Statements

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<u>REVENUE, GAINS AND OTHER</u>				
<u>SUPPORT:</u>				
Contributions	\$ 396,246	\$ 1,465,898	\$ --	\$ 1,862,144
Grants	1,481,084	--	--	1,481,084
Program fees	801,747	--	--	801,747
Fundraising events	193,321	--	--	193,321
Teen travel	101,711	--	--	101,711
Bike sales	89,997	--	--	89,997
Miscellaneous income	79,815	--	--	79,815
Investment income	33,048	--	--	33,048
Dues	<u>17,334</u>	<u>--</u>	<u>--</u>	<u>17,334</u>
Total Revenue, Gains and Other Support	3,194,303	1,465,898	--	4,660,201
<u>EXPENSES:</u>				
Program services	2,909,245	--	--	2,909,245
Fundraising	295,826	--	--	295,826
Management and general	<u>149,302</u>	<u>--</u>	<u>--</u>	<u>149,302</u>
Total Expenses	<u>3,354,373</u>	<u>--</u>	<u>--</u>	<u>3,354,373</u>
CHANGE IN NET ASSETS	(160,070)	1,465,898	--	1,305,828
Net Assets Released from Restrictions	2,580,763	(2,580,763)	--	--
NET ASSETS – BEGINNING OF YEAR	<u>2,548,864</u>	<u>1,726,078</u>	<u>143,600</u>	<u>4,418,542</u>
NET ASSETS – END OF YEAR	<u>\$ 4,969,557</u>	<u>\$ 611,213</u>	<u>\$ 143,600</u>	<u>\$ 5,724,370</u>

See Notes to Financial Statements

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUE, GAINS AND OTHER</u>				
<u>SUPPORT:</u>				
Grants	\$ 1,745,413	\$ --	\$ --	\$ 1,745,413
Contributions	343,799	877,224	--	1,221,023
Program fees	594,073	--	--	594,073
Fundraising events	130,094	--	--	130,094
Bike sales	99,998	--	--	99,998
Teen travel	80,797	--	--	80,797
Miscellaneous income	56,905	--	--	56,905
Investment income	44,776	--	--	44,776
Dues	<u>15,725</u>	<u>--</u>	<u>--</u>	<u>15,725</u>
Total Revenue, Gains and Other Support	3,111,580	877,224	--	3,988,804
<u>EXPENSES:</u>				
Program services	3,104,671	--	--	3,104,671
Fundraising	266,447	--	--	266,447
Management and general	<u>150,025</u>	<u>--</u>	<u>--</u>	<u>150,025</u>
Total Expenses	<u>3,521,143</u>	<u>--</u>	<u>--</u>	<u>3,521,143</u>
CHANGE IN NET ASSETS	(409,563)	877,224	--	467,661
Net Assets Released from Restrictions	1,520,336	(1,520,336)	--	--
NET ASSETS – BEGINNING OF YEAR	<u>1,438,091</u>	<u>2,369,190</u>	<u>143,600</u>	<u>3,950,881</u>
NET ASSETS – END OF YEAR	<u>\$ 2,548,864</u>	<u>\$ 1,726,078</u>	<u>\$ 143,600</u>	<u>\$ 4,418,542</u>

See Notes to Financial Statements

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 1,580,378	\$ 123,769	\$ 82,359	\$ 1,786,506
Supplies	477,633	--	--	477,633
Outside contractors	182,295	143,233	--	325,528
Payroll taxes	138,942	10,881	7,241	157,064
Employee benefits	112,858	8,839	5,881	127,578
Depreciation	97,446	--	--	97,446
Pension expense	78,554	6,152	4,094	88,800
Insurance	53,058	--	26,529	79,587
Utilities / repairs	71,987	--	--	71,987
Travel	46,193	--	--	46,193
Occupancy / rent	19,025	--	--	19,025
Telephones	4,054	2,846	10,350	17,250
Dues to affiliates	14,749	--	--	14,749
Professional fees	--	--	12,464	12,464
Conferences	12,241	--	--	12,241
Transportation	8,863	--	--	8,863
Postage	4,145	--	--	4,145
Staff development	3,759	--	--	3,759
Miscellaneous expenses	2,011	--	--	2,011
Advertising	877	--	--	877
Print shop expense	150	106	384	640
Equipment	<u>27</u>	<u>--</u>	<u>--</u>	<u>27</u>
 Total Expenses	 <u>\$ 2,909,245</u>	 <u>\$ 295,826</u>	 <u>\$ 149,302</u>	 <u>\$ 3,354,373</u>

See Notes to Financial Statements

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 1,610,224	\$ 126,106	\$ 83,914	\$ 1,820,244
Outside contractors	465,922	111,379	--	577,301
Supplies	405,753	--	--	405,753
Payroll taxes	121,587	9,522	6,336	137,445
Employee benefits	111,785	8,755	5,826	126,366
Pension expense	85,631	6,706	4,463	96,800
Insurance	45,527	--	22,764	68,291
Utilities / repairs	67,766	--	--	67,766
Depreciation	60,064	--	--	60,064
Travel	44,657	--	--	44,657
Occupancy / rent	30,332	--	--	30,332
Transportation	24,962	--	--	24,962
Telephones	3,834	2,692	9,790	16,316
Dues to affiliates	14,918	--	--	14,918
Professional fees	--	--	12,250	12,250
Print shop expense	1,834	1,287	4,682	7,803
Postage	3,530	--	--	3,530
Conferences	2,902	--	--	2,902
Staff development	2,174	--	--	2,174
Miscellaneous expenses	1,247	--	--	1,247
Equipment	<u>22</u>	<u>--</u>	<u>--</u>	<u>22</u>
 Total Expenses	 <u>\$ 3,104,671</u>	 <u>\$ 266,447</u>	 <u>\$ 150,025</u>	 <u>\$ 3,521,143</u>

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 1,305,828	\$ 467,661
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	97,446	60,064
Unrealized gain on investments	(26,080)	(13,197)
Changes in operating assets and liabilities:		
Accounts and grants receivable	(75,004)	176,608
Prepaid expenses	(2,551)	(21,844)
Security deposits	1,500	25,288
Accounts payable	(8,628)	(5,647)
Accrued expenses	18,167	(23,103)
Deferred revenue	<u>782</u>	<u>(12,903)</u>
Net Cash Provided By Operating Activities	1,311,460	652,927
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Acquisition of investments	(14,979)	(27,923)
Acquisition of property and equipment	(2,702,607)	(1,138,580)
Acquisition of construction bond	<u>(349,644)</u>	<u>--</u>
Net Cash Used In Investing Activities	(3,067,230)	(1,166,503)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from construction loan	950,362	--
Repayments on note payable	<u>(7,712)</u>	<u>(10,938)</u>
Net Cash Provided By (Used In) Financing Activities	<u>942,650</u>	<u>(10,938)</u>
Change in Cash	(813,120)	(524,514)
Cash at Beginning of Year	<u>2,291,543</u>	<u>2,816,057</u>
Cash at End of Year	<u>\$ 1,478,423</u>	<u>\$ 2,291,543</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid for the Years for Interest	<u>\$ 3,947</u>	<u>\$ 794</u>

See Notes to Financial Statements

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies:

Significant accounting policies followed by Boys & Girls Club of Trenton/Mercer County, Inc. ("The Organization") in the preparation of the accompanying financial statements are summarized below:

General

Boys & 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, recreational 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.

Basis of Presentation

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

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.

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued):

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 Statement of Activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that require specific funds to be maintained permanently by the Organization.

Cash and Cash Equivalents

For purposes of the financial statements, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash consists of eight demand accounts and four money market accounts.

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 demand and money market accounts are insured by the FDIC and/or the National Credit Union Administration. The investment accounts are covered by SPIC insurance.

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued):

Accounts and Grants Receivable

Accounts receivable consists primarily of program fees and membership dues related to the fiscal year that have not been collected as of the Statement of Financial Position date. The Organization uses the direct write off method to record accounts receivable, and considers the amounts reported to be substantially collectible as of the statement of financial position date. Accordingly, bad debt expense amounted to \$0 for the years ended June 30, 2015 and 2014, respectively.

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. Estimated useful lives are generally five to seven years for furniture and equipment, five to ten for transportation equipment and ten to twenty-five for buildings and improvements.

Compensated Absences

Employees of the Organization are entitled to paid vacation, sick and other days 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.

Income Taxes

The Organization was granted exemption under Section 501(c)(3) of the Internal Revenue Code ("The Code") in August of 1938, exempting its activities from federal income taxes under Section 501(a) of The Code. 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. The Organization 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, 2015, tax years ended June 30, 2014, 2013 and 2012 remained open for possible examination by the IRS.

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued):

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 Statement of Financial Position. Grants are subject to audits by the grantor.

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 under generally accepted accounting principles.

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.

Use of Estimates

Management uses estimates and assumptions in preparing its financial statements in accordance with 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.

Reclassifications

Certain amounts previously reported in the financial statements for the year ended June 30, 2014 have been reclassified to conform to the June 30, 2015 classifications.

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 2 – Investments:

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

The following tables set forth, by level within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2015 and 2014:

	2015			
	Level 1	Level 2	Level 3	Total
Equity Securities / Mutual Funds	\$ 254,484	\$ --	\$ --	\$ 254,484
Fixed Income / Mutual Funds	147,481	--	--	147,481
Alternative Investments / Mutual Funds	138,744	--	--	138,744
Real Estate Securities / Mutual Funds	<u>3,414</u>	--	--	<u>3,414</u>
Total Investments	<u>\$ 544,123</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 544,123</u>

	2014			
	Level 1	Level 2	Level 3	Total
Equity Securities / Mutual Funds	\$ 248,996	\$ --	\$ --	\$ 248,996
Alternative Investments / Mutual Funds	137,319	--	--	137,319
Fixed Income / Mutual Funds	112,936	--	--	112,936
Real Estate Securities / Mutual Funds	<u>3,813</u>	--	--	<u>3,813</u>
Total Investments	<u>\$ 503,064</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 503,064</u>

Under the fair value hierarchy within the Financial Standards Accounting Codification, investments categorized as Level 1 establish their fair market value(s) using quoted prices for identical assets or liabilities in active markets.

Investment income is comprised of interest and dividends earned from cash and investment accounts. Unrealized gain (loss) is the change in the value of the remaining investments in the accounts at June 30, 2015 and 2014, respectively. Total investment income is summarized as follows:

	2015	2014
Interest and dividends	\$ 6,968	\$ 31,579
Unrealized gains on investments	<u>26,080</u>	<u>13,197</u>
Total Investment Income	<u>\$ 33,048</u>	<u>\$ 44,776</u>

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 2 – Investments (continued):

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.

Note 3 – Property and Equipment:

The following is a summary of property and equipment at June 30:

	<u>2015</u>	<u>2014</u>
Construction in progress	\$ --	\$ 1,102,136
Building and improvements	4,077,757	1,253,122
Furniture and equipment	346,799	248,399
Transportation equipment	235,398	235,398
Land	<u>963,066</u>	<u>81,358</u>
Total Property & Equipment	5,623,020	2,920,413
Accumulated depreciation	<u>(1,365,372)</u>	<u>(1,267,926)</u>
Property & Equipment, Net	<u>\$ 4,257,648</u>	<u>\$ 1,652,487</u>

Depreciation expense for the years ended June 30, 2015 and 2014 totaled \$97,446 and \$60,064, respectively.

Note 4 – Construction Bond:

Pursuant to their contract for the new facility, the Organization was required to fund a surety bond with the Township of Lawrence which was paid at the start of the construction period and has been reflected on the Statement of Financial Position in the amount of \$349,644. Upon completion of the construction project and securing a use and occupancy permit from the Township of Lawrence, the bond will be refunded back to the Organization. Because the use and occupancy permit was provided to the Organization before the end of the fiscal year, repayment of the bond is considered imminent and has been reflected as a current asset as of June 30, 2015.

Note 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.

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 6 – Loans Payable:

The previously existing note payable is to the Credit Union of New Jersey at the rate of 5.75%, secured by transportation equipment. Monthly payments in the amount of \$978 are fully amortizing with the last due February 2015. The note was paid off during the audit year.

On March 11, 2015, the Organization closed on a construction loan agreement and mortgage (“the agreement”) with Investors Bank, NA whereas the borrower was extended credit under the terms of a construction loan for a total amount of credit availability of \$2,500,000 with a construction loan maturity date of March 11, 2017, or as of the date of the completion of improvements. The agreement collateralizes all fixed assets located at 1040 Spruce Street, as well as the fixed assets located at 212-220 Centre Street and 23 Turpin Street. The agreement provides for any and all outstanding principal of the construction loan to be converted as part of a permanent loan with a twenty year amortization period that will mature April 1, 2027. Until such time as the loan is converted to a permanent loan, the balance outstanding shall require interest only payments at a fixed rate of interest of 4.5%, per annum, with an the amount of \$113,000 referred in the agreement as “interest reserve” to be deposited as an advance for these interest only payments during the construction period until conversion of the permanent loan. The outstanding balance as of June 30, 2015 and 2014 was \$950,362 and \$0, respectively.

In conjunction with the construction loan, the Organization incurred and paid interest during the construction project of \$3,947. This interest has been capitalized in accordance with generally accepted accounting principles, which calls for interest of assets constructed for self-use to be capitalized until such a time that the asset is complete and ready for use. The balance has been included with the total cost of the construction project and included in building and improvements (see Note 3 – Property and Equipment).

Note 7 – 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
- 6) Other resources of the organization
- 7) The investment policies of the organization

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 7 – Scholarship and Endowment Funds (continued):

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.

Note 8 – Restrictions on Net Assets:

Restrictions on net assets (both internally generated by the Board and externally by donor stipulations) for the years ended June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Board Designated Net Assets		
Board designated PACF	\$ <u>40,000</u>	\$ <u>40,000</u>
Total Board Designated Net Assets	\$ <u>40,000</u>	\$ <u>40,000</u>
Temporarily Restricted Net Assets		
After School program	\$ 268,811	\$ 268,811
Capital improvements	<u>342,402</u>	<u>1,457,267</u>
Total Temporarily Restricted Net Assets	\$ <u>611,213</u>	\$ <u>1,726,078</u>
Permanently Restricted Net Assets		
Scholarship at Merrill Lynch	\$ 43,600	\$ 43,600
Charles Evans Foundation Scholarships	<u>100,000</u>	<u>100,000</u>
Total Permanently Restricted Net Assets	\$ <u>143,600</u>	\$ <u>143,600</u>

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 9 – Rental Income:

The Organization rents its facilities to various local unrelated organizations on a short-term basis. Rental income for the years ended June 30, 2015 and 2014 totaled \$7,700 and \$9,100, respectively.

Note 10 – Operating Lease:

There are no minimum future rental payments under non-cancelable operating leases as of June 30, 2015.

Note 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; over the past several audit periods, the average contribution has amounted to ten percent of employees' 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) retirement plan limits.

Pension contributions for the years ended June 30, 2015 and 2014 amounted to \$88,800 and \$96,800, respectively.

Note 12 – Advertising Costs:

The Organization expenses the cost of advertising and promotion as incurred. Advertising expenses amounted to \$877 and \$0 for the years ended June 30, 2015 and 2014.

Note 13 – Subsequent Events:

The Organization has evaluated subsequent events through December 15, 2015, which is the date the financial statements were available to be issued.

Management has indicated they are in the planning stages with their lender to refinance the construction loan to a permanent loan which they anticipate closing before the end of the next fiscal year. The permanent loan will provide for an amortization period of fifteen years with a fixed rate of interest at market rates and will be sourced through the provisions of the New Markets Tax Credit Program (NMTC) which is a Federal development tax initiative program designed to provide investors and banks federal income tax credits in eligible commercial projects in low-income areas.

LEAR & PANNEPACKER, LLP

Certified Public Accountants & Advisors

**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**

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To the Board of Directors,
Boys & Girls Club of Trenton/Mercer County, Inc.
Trenton, New Jersey:

We 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 Boys & Girls Club of Trenton/Mercer County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boys & 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boys & Girls Club of Trenton/Mercer County, Inc.'s internal control. Accordingly, we 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.

Our 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 those limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Accounting, Tax and Management Advisory Services

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
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FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys & Girls Club of Trenton/Mercer County, Inc.'s financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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.



LEAR & PANNEPACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS
PRINCETON, NEW JERSEY

DECEMBER 15, 2015

LEAR & PANNEPACKER, LLP

Certified Public Accountants & Advisors

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

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To the Board of Directors,
Boys & Girls Club of Trenton/Mercer County, Inc.
Trenton, New Jersey:

Report on Compliance for Each Major State Program

We have audited Boys & 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 Boys & Girls Club of Trenton/Mercer County, Inc.'s major state programs for the year ended June 30, 2015. Boys & 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

Our responsibility is to express an opinion on compliance for each of Boys & Girls Club of Trenton/Mercer County, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We 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 we 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 Boys & Girls Club of Trenton/Mercer County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Boys & Girls Club of Trenton/Mercer County, Inc.'s compliance.



Accounting, Tax and Management Advisory Services

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

Opinion on Each Major State Program

In our opinion, Boys & 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, 2015.

Report on Internal Control Over Compliance

Management of Boys & 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 our audit of compliance, we considered Boys & 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, we do not express an opinion on the effectiveness of Boys & 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.

Our consideration of internal control over compliance as 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. We 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.

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

Report on Internal Control Over Compliance (continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

Lear + Pannepacker LLP

LEAR & PANNEPACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS
PRINCETON, NEW JERSEY

DECEMBER 15, 2015

BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
SCHEDULE OF EXPENDITURES OF STATE & FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Awards</u>	<u>Identifying Number</u>	<u>Contract Period</u>	<u>Contract Award</u>	<u>Expenditures</u>
NJ Department of Education - 21st Century Community Learning Centers Program	84-84.287	9/1/2014 to 8/31/2015	\$ 500,000	\$ 353,190
NJ Department of Education - 21st Century Community Learning Centers Program	84-84.287	9/1/2013 to 8/31/2014	\$ 535,000	\$ 125,035
Social Investment Fund	FY14-913	7/1/2014 to 6/30/2016	\$ 270,000	\$ 135,000
NJ Department of Children and Families	16-16.544	7/1/2014 to 6/30/2015	\$ 100,000	\$ 100,000
NJ Department of Agriculture - Division of Food & Nutrition - Child and Adult Food Program	10-10.558	10/1/2013 to 9/30/2014	\$ 45,400	\$ 16,800
Office of Juvenile Prevention (passed through Boys & Girls Clubs of America)	16-16.726	1/13/2015 to 12/31/2015	\$ 9,500	\$ 3,959
Office of Juvenile Prevention (passed through Boys & Girls Clubs of America)	16-16.726	1/13/2015 to 12/31/2015	\$ 20,000	\$ 10,613
Office of Juvenile Prevention (passed through Boys & Girls Clubs of America)	16-16.726	10/1/2013 to 9/30/2014	\$ 9,100	\$ 1,020
Office of Juvenile Prevention (passed through Boys & Girls Clubs of America)	16-16.726	10/1/2013 to 9/30/2014	\$ <u>18,850</u>	\$ <u>9,753</u>
Total Federal Awards			\$ <u>1,507,850</u>	\$ <u>755,370</u>
<u>State Awards</u>	<u>Identifying Number</u>	<u>Contract Period</u>	<u>Contract Award</u>	<u>Expenditures</u>
N/A	N/A	N/A	N/A	N/A

See Notes to Schedule of Expenditures of State & Federal Awards

**BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE & FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 1 – Basis of Presentation:

The accompanying Schedule of Expenditures of State & Federal Awards presents the activities of the state and federal grant award programs 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 & Federal Awards.

Note 2 – Basis of Accounting:

The accompanying Schedule of Expenditures of State & Federal Awards is presented using the accrual basis of accounting. This basis of accounting is described in Note 1 to the Organization’s general financial statements.

Note 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.

Note 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 & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

Section I – Summary of Auditor's Results:

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Noncompliance material to financial statements noted? No

Federal and State Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

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

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

CFDA/Contract Number

84-84.287

Name of Federal or State Program

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

Section II – Financial Statement Findings:

There are no financial statement findings reported.

Section III – State & Federal Awards Findings and Responses:

There are no state & federal award findings and responses reported.

**BOYS & GIRLS CLUB OF TRENTON/MERCER COUNTY, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

Status of Prior Year Findings:

There were no audit findings or responses for the year ended June 30, 2014.