

**BOYS AND GIRLS CLUBS
OF THE PENINSULA**

JUNE 30, 2007

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Boys and Girls Clubs of the Peninsula

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Independent Auditors' Report

BOARD OF DIRECTORS
BOYS AND GIRLS CLUBS OF THE PENINSULA
Menlo Park, California

We have audited the accompanying statement of financial position of the **Boys and Girls Clubs of the Peninsula** (the Club) as of June 30, 2007 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Club's fiscal year ended June 30, 2006 financial statements, and in our report dated September 25, 2006, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boys and Girls Clubs of the Peninsula as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

November 12, 2007

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Boys and Girls Clubs of the Peninsula

Statement of Financial Position

<i>June 30,</i>	2007	2006
Assets		
Current Assets:		
Cash and cash equivalents	\$ 630,678	\$ 826,184
Investments	5,834,023	5,198,181
Unconditional promises to give, net, current portion	236,250	195,987
Other receivables	152,982	107,000
Prepaid expenses and deposits	56,067	32,326
Total current assets	6,910,000	6,359,678
Unconditional Promises to Give , net, noncurrent portion	734,491	72,145
Property, Equipment and Improvements , net	7,604,844	7,914,914
Total assets	\$ 15,249,335	\$ 14,346,737
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 301,248	\$ 247,666
Other current liabilities		2,370
Total current liabilities	301,248	250,036
Net Assets:		
Unrestricted:		
Board designated:		
Maintenance reserve	523,659	710,415
Other purposes	3,905,699	2,674,217
Undesignated	7,601,223	8,518,937
Total unrestricted net assets	12,030,581	11,903,569
Temporarily restricted	992,506	268,132
Permanently restricted	1,925,000	1,925,000
Total net assets	14,948,087	14,096,701
Total liabilities and net assets	\$ 15,249,335	\$ 14,346,737

Boys and Girls Clubs of the Peninsula

Statement of Activities

Year Ended June 30, 2007 (with comparative totals for the year ended June 30, 2006)

	2007			2006	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenues:					
Contributions:					
Individuals	\$ 1,411,689	\$ 591,934		\$ 2,003,623	\$ 1,651,375
Corporations	299,292			299,292	1,054,101
Foundations	1,053,653	326,000		1,379,653	493,671
Civic/other	16,000			16,000	6,001
Total contributions	2,780,634	917,934		3,698,568	3,205,148
Investment income:					
Interest and dividends	260,248			260,248	215,923
Realized gains on sale of investments	128,773			128,773	18,290
Unrealized gain (loss) on investments	386,809			386,809	(53,085)
Total investment income	775,830			775,830	181,128
Other revenue:					
Municipal revenue	610,973			610,973	388,451
Special events	339,695			339,695	287,299
Membership revenue	93,723			93,723	54,423
Facility rental					100
Miscellaneous	2,777			2,777	76,792
Total other revenue	1,047,168			1,047,168	807,065
Net assets released from restrictions	193,560	(193,560)			
Total support and revenue	4,797,192	724,374		5,521,566	4,193,341
Expenses:					
Program services	3,508,698			3,508,698	3,339,283
Management and general	649,329			649,329	697,997
Fundraising	512,153			512,153	423,187
Total expenses	4,670,180			4,670,180	4,460,467
Change in net assets	127,012	724,374		851,386	(267,126)
Net Assets - Beginning of year	11,903,569	268,132	\$ 1,925,000	14,096,701	14,363,827
Net Assets - End of year	\$ 12,030,581	\$ 992,506	\$ 1,925,000	\$ 14,948,087	\$ 14,096,701

The accompanying notes are an integral part of this statement.

Boys and Girls Clubs of the Peninsula

Statement of Functional Expenses

Year Ended June 30, 2007 (with comparative totals for the year ended June 30, 2006)

	2007				2006	
	Programs	Management and General	Fundraising	Total	Total	
Personnel						
Salaries	\$ 1,923,708	\$ 329,743	\$ 260,855	\$ 2,514,306	\$ 2,414,799	
Payroll taxes and benefits	363,713	135,536	69,631	568,880	616,723	
Total personnel expense	2,287,421	465,279	330,486	3,083,186	3,031,522	
Facilities						
Depreciation	344,965			344,965	379,979	
Insurance	43,130	1,331	157	44,618	47,385	
Utilities	97,047			97,047	103,421	
Repairs and maintenance	143,444			143,444	79,993	
All other facilities expense					81,025	
Total facilities	628,586	1,331	157	630,074	691,803	
Program Supplies	410,267			410,267	324,166	
Total program supplies	410,267			410,267	324,166	
Other						
Special events			102,679	102,679	74,449	
Bad debt expense		7,067		7,067	15,352	
Training	23,248	41,951	887	66,086	43,941	
Professional fees		27,850		27,850	26,495	
Telephone	54,935	9,497		64,432	26,295	
Office supplies	30,338	4,874	12,513	47,725	24,703	
Transportation	28,244	1,341	939	30,524	23,715	
Dues		15,931		15,931	15,149	
Remaining other expenses	45,659	74,208	64,492	184,359	162,877	
Total other expenses	182,424	182,719	181,510	546,653	412,976	
Total expenses	\$ 3,508,698	\$ 649,329	\$ 512,153	\$ 4,670,180	\$ 4,460,467	

Boys and Girls Clubs of the Peninsula

Statement of Cash Flows

<i>Years Ended June 30,</i>	2007	2006
Cash Flows Provided by Operating Activities:		
Change in net assets	\$ 851,386	\$ (267,126)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	344,965	379,979
Net realized/unrealized (gain) loss on investments	(515,582)	34,795
Donated equipment	(20,996)	(17,800)
Loss on disposal of equipment	7,549	
Changes in operating assets and liabilities:		
Unconditional promises to give and other receivables	(748,591)	275,132
Prepaid expenses and deposits	(23,741)	(1,638)
Accounts payable and accrued expenses	51,212	(140,286)
Net cash (used) provided by operating activities	(53,798)	263,056
Cash Flows from Investing Activities:		
Purchases of property, equipment and leaseholds	(21,448)	(139,886)
Proceeds from sale of investments	584,084	664,795
Purchase of investments	(704,344)	(803,554)
Net cash used in investing activities	(141,708)	(278,645)
Net Decrease in Cash and Cash Equivalents	(195,506)	(15,589)
Cash and Cash Equivalents - Beginning of year	826,184	841,773
Cash and Cash Equivalents - End of Year	\$ 630,678	\$ 826,184

Boys and Girls Clubs of the Peninsula

Notes To Financial Statements

Note 1 - Description of the Organization:

The Boys and Girls Clubs of the Peninsula (the Club) is a place where young people are welcome every day after school as well as during the summer hours to participate in a broad range of programs that inspire and enable them to achieve their full potential. Founded in 1958, the Club is now the largest youth development organization on the San Francisco Peninsula. Through clubhouses in the most challenged neighborhoods of East Palo Alto, Menlo Park and Redwood City, where half the students drop out of high school, over 2,000 youth find the safety, emotional support, and guidance all young people need. At each clubhouse a cadre of professional staff and volunteers teaches valuable skills in a broad range of program areas, including Academics, Science and Technology, Social Education, Athletics, Health Choices, and Visual and Performing Arts. Many of these programs are offered in partnership with local schools and other community organizations. The Club's annual budget of approximately \$4,500,000 is made possible largely by foundation grants, corporate support and individual contributions.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The Club prepares its financial statements on the accrual basis of accounting.

b. Description of Net Assets

Unrestricted Net Assets - the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations. These net assets also include net assets that have been designated by the Board for certain uses.

Temporarily Restricted Net Assets - the portion of net assets which use is limited by donor - imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Club. At June 30, 2007 and 2006, these net assets are comprised of unconditional promises to give in future years discounted to their net present value and contributions that have been restricted for various programs.

Permanently Restricted Net Assets - the portion of net assets which use is limited by donor - imposed stipulations that neither expire by passage of time nor can be removed by actions of the Club. At June 30, 2007 and 2006, these net assets represent the Club's endowment. Earnings thereon are available for general operations of the Club.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of short-term, highly liquid investments and investments with original maturity dates of three months or less and do not include cash held in investment accounts.

Boys and Girls Clubs of the Peninsula

Notes To Financial Statements

d. Investments

Investments are valued at fair value, based on quoted market prices, with realized and unrealized gains and losses reflected in the Statement of Activities.

e. Unconditional Promises to Give

Unconditional promises to give are recorded at their net realizable value. Unconditional promises to give which are due in more than one year have been discounted to the present value of their estimated future cash flows.

f. Property, Equipment and Improvements

The Club records property, equipment and improvements at cost of acquisition or construction or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method with lives ranging from 3 to 40 years.

g. Revenue Recognition

Contributions are recorded at their fair value and are recognized as revenue when the donor makes an unconditional promise to give to the Club. 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. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year in which the contributions are recognized. Net assets released from restrictions during the years ended June 30, 2007 and 2006 represent payments on unconditional promises to give and funds used for their restricted purposes.

Special event revenue is recognized when the event occurs.

Non-cash donations are recorded at the fair value of the gift at the date of the donation.

Services, relating to leadership and help with member activities and programs, are donated by various individuals. No revenue has been recognized for these services. Many generous people contribute many hours of time and expertise to assist with the administration of various programs.

h. Income Taxes

The Club has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Club has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Boys and Girls Clubs of the Peninsula

Notes To Financial Statements

i. Allocation of Expenses

Certain indirect costs have been allocated by management among programs and supporting services based on estimates of time, space and other factors.

j. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k. Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not in sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Club's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

Note 3 - Investments:

Investments, at fair value, are comprised of the following at June 30, 2007 and 2006:

	2007	2006
Corporate stocks	\$ 3,635,805	\$3,066,921
Corporate bonds	895,664	893,376
Cash funds	741,070	563,763
Treasury notes	483,964	475,821
Mutual funds	77,520	198,300
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	\$ 5,834,023	\$5,198,181

Boys and Girls Clubs of the Peninsula

Notes To Financial Statements

Note 4 - Unconditional Promises to Give:

Unconditional promises to give are comprised of the following at June 30, 2007 and 2006:

	2007	2006
Pledges	\$ 1,024,061	\$ 296,181
Less: Allowance for doubtful accounts	(13,925)	(21,720)
Discount to net present value (at 5%) of estimated future cash flows	(39,395)	(6,329)
<u>Net unconditional promises to give</u>	<u>\$ 970,741</u>	<u>\$ 268,132</u>

Net unconditional promises to give are expected to be collected as follows as of June 30, 2007:

Due in one year or less	\$ 236,250
Due in one to five years	734,491
	<u>\$ 970,741</u>

Note 5 - Property, Equipment and Improvements:

At June 30, 2007 and 2006, property, equipment and improvements and accumulated depreciation are as follows:

	2007	2006
Buildings, improvements and landscaping	\$9,432,629	\$ 9,432,418
Equipment	1,064,323	1,061,593
Vehicles	75,318	46,822
	<u>10,572,270</u>	<u>10,540,833</u>
Less accumulated depreciation	(2,967,426)	(2,625,919)
	<u>\$ 7,604,844</u>	<u>\$ 7,914,914</u>

Boys and Girls Clubs of the Peninsula

Notes To Financial Statements

Note 6 - Commitments:

The Club has entered into several exchange agreements to lease facilities. These exchange agreements require the Club to perform certain duties in return for lease payments of \$1 per year. The City of Menlo Park owns the land upon which the Menlo Park facility is situated and leases the facility to the Club. The lease runs for 25 years (June, 2023) with options to renew. The total rent of \$25 was paid by the Club to cover the original lease term. The building and improvements, constructed by the Club, will revert to the City of Menlo Park in the event that the Club abandons the premises, which is not deemed probable by management. The Redwood City facility is situated on land owned by and leased from Redwood City at a cost of \$1 per year. The lease runs for 42 years (January, 2029). The Ravenswood School District owns the school in which the Club's Center for a New Generation is situated. No lease obligation currently exists for that facility. The Ravenswood School District also owns the land upon which the East Palo Alto facility exists. The lease runs for 66 years (May, 2064) at a charge of \$1 per year, which was prepaid by the Club.

Note 7 - Employee Benefits:

The Club maintains a non-contributory pension plan that covers all full-time employees that have been with the Club for at least 24 months.

Note 8 - Concentrations of Risk:

The Club has defined its financial instruments, which are potentially subject to risk as cash, cash equivalents, investments and unconditional promises to give.

At times, the Club has cash deposits in financial institutions in excess of federally insured limits. Investments are held in various holdings in order to limit the concentration of market risk.

For the year ended June 30, 2007, approximately 14% of total contribution revenue was provided from one foundation and two individuals. In the previous year, 36% of the Club's total contributions were provided by four foundations and three individuals.