

BOYS & GIRLS CLUB OF EAST PROVIDENCE, INC.

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Financial Statements

December 31, 2013

Mullen Scorpio Cerilli

**Certified Public Accountants
Business Consultants**

Mullen Scorpio Cerilli

BOYS & GIRLS CLUB OF EAST PROVIDENCE, INC.

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To the Board of Directors of
Boys & Girls Club of East Providence, Inc.

Independent Auditors' Report

We have audited the accompanying financial statements of Boys & Girls Club of East Providence, Inc. (a Rhode Island nonprofit organization), which comprise the statement of financial position as of December 31, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Mullen Scorpio Cerilli

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Club of East Providence, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Providence, Rhode Island
November 12, 2014

BOYS & GIRLS CLUB OF EAST PROVIDENCE, INC.

Statement of Financial Position

December 31, 2013

Assets

Current assets:

Cash and cash equivalents	\$ 18,935
Restricted cash	54,854
Accounts receivable	86,595
Grants receivable	200,450
Prepaid expenses	7,917
Total current assets	<u><u>368,751</u></u>

Property and equipment, net	<u>1,772,183</u>
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Other assets:

Deposits	100
Due from capital fund	4,000
Total other assets	<u><u>4,100</u></u>

Total assets	<u><u>\$ 2,145,034</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 180,235
Accrued expenses	18,931
Notes payable - current portion	12,049
Total current liabilities	<u><u>211,215</u></u>

Due to capital fund	4,000
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Notes payable - long-term portion	<u>58,644</u>
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Total liabilities	<u><u>273,859</u></u>
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Net assets:

Unrestricted	1,650,639
Temporarily restricted	220,536
Total net assets	<u><u>1,871,175</u></u>

Total liabilities and net assets	<u><u>\$ 2,145,034</u></u>
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The notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF EAST PROVIDENCE, INC.

Statement of Activities

For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support, revenue and other income:				
Public support:				
Government grants	\$ 47,247	\$ -	\$ -	\$ 47,247
Foundation grants	51,002	200,000	-	251,002
Contributions	35,700	-	-	35,700
Total public support	<u>133,949</u>	<u>200,000</u>	<u>-</u>	<u>333,949</u>
Revenue and other income:				-
Daycare fees	423,315	-	-	423,315
Camp fees	105,334	-	-	105,334
Swim program fees	14,256	-	-	14,256
Rental income	36,323	-	-	36,323
Membership fees	4,749	-	-	4,749
Special events, net	309	-	-	309
In-kind income	33,079	-	-	33,079
Other income	5,008	-	-	5,008
Total revenue and other income	<u>622,373</u>	<u>-</u>	<u>-</u>	<u>622,373</u>
Reclassification - net assets released from restrictions	48,914	(48,914)	-	-
Total public support, revenue, other income and reclassification	<u>805,236</u>	<u>151,086</u>	<u>-</u>	<u>956,322</u>
Expenses:				
Program expenses:				
Teen Program	16,632	-	-	16,632
Basic services	137,757	-	-	137,757
Childcare	369,701	-	-	369,701
Summer camp	90,450	-	-	90,450
Aquatics	119,832	-	-	119,832
Total program expenses	<u>734,372</u>	<u>-</u>	<u>-</u>	<u>734,372</u>
Supporting services:				
Management and general	105,351	-	-	105,351
Total expenses	<u>839,723</u>	<u>-</u>	<u>-</u>	<u>839,723</u>
Change in net assets	(34,487)	151,086	-	116,599
Net assets, beginning of year	<u>1,685,126</u>	<u>69,450</u>	<u>-</u>	<u>1,754,576</u>
Net assets, end of year	<u>\$ 1,650,639</u>	<u>\$ 220,536</u>	<u>\$ -</u>	<u>\$1,871,175</u>

The notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF EAST PROVIDENCE, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2013

	<u>Teen Program</u>	<u>Basic Services</u>	<u>Child Care</u>	<u>Summer Camp</u>	<u>Aquatics</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total Expense</u>
Salaries and related expenses:								
Salaries and wages	\$ 2,878	\$ 60,496	\$ 180,546	\$ 50,920	\$ 35,093	\$ 329,933	\$ 23,234	\$ 353,167
Payroll taxes and worker's comp	220	7,510	22,884	3,895	6,997	41,506	1,995	43,501
Employee benefits	<u>1,317</u>	<u>7,259</u>	<u>15,050</u>	<u>238</u>	<u>3,596</u>	<u>27,460</u>	<u>1,386</u>	<u>28,846</u>
Total salaries and related expenses	<u>4,415</u>	<u>75,265</u>	<u>218,480</u>	<u>55,053</u>	<u>45,686</u>	<u>398,899</u>	<u>26,615</u>	<u>425,514</u>
Operating expenses:								
Snow removal and landscaping	360	838	1,574	6,395	162	9,329	95	9,424
Outside services	-	-	-	-	25	25	28,459	28,484
Program expenses	3,084	4,430	6,646	2,750	668	17,578	-	17,578
Supplies	-	321	518	40	-	879	1,753	2,632
Equipment rental	52	209	1,726	989	105	3,081	-	3,081
In-Kind expenditures	-	-	-	-	-	-	4,800	4,800
Telephone	64	1,164	3,247	381	263	5,119	692	5,811
Transportation	-	69	18,027	13,295	300	31,691	1,110	32,801
Utilities	2,932	9,085	14,379	3,147	30,231	59,774	1,789	61,563
Printing	61	307	674	38	123	1,203	61	1,264
Conferences, meetings, due	10	418	38	168	-	634	8,001	8,635
Insurance	-	6,643	17,494	-	15,768	39,905	2,235	42,140
Repairs and maintenance	3,006	9,589	29,019	6,684	5,433	53,731	1,386	55,117
Professional fees	-	5,500	136	91	84	5,811	4,968	10,779
Property taxes	906	1,807	5,435	9	901	9,058	-	9,058
Miscellaneous	<u>868</u>	<u>7,239</u>	<u>9,130</u>	<u>1,410</u>	<u>175</u>	<u>18,822</u>	<u>16,914</u>	<u>35,736</u>
Total operating expenses	<u>11,343</u>	<u>47,619</u>	<u>108,043</u>	<u>35,397</u>	<u>54,238</u>	<u>256,640</u>	<u>72,263</u>	<u>328,903</u>
Depreciation	<u>874</u>	<u>14,873</u>	<u>43,178</u>	<u>-</u>	<u>19,908</u>	<u>78,833</u>	<u>6,473</u>	<u>85,306</u>
Total expenses	<u>\$ 16,632</u>	<u>\$ 137,757</u>	<u>\$ 369,701</u>	<u>\$ 90,450</u>	<u>\$ 119,832</u>	<u>\$ 734,372</u>	<u>\$ 105,351</u>	<u>\$ 839,723</u>

The notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF EAST PROVIDENCE, INC.

Statement of Cash Flows

For the Year Ended December 31, 2013

Net cash flows from operating activities:	
Change in net assets	\$ 116,599
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	85,305
Increase (decrease) in cash from changes in net assets and liabilities:	
Accounts receivable	(22,950)
Grants receivable	(157,601)
Prepaid expenses	(880)
Deposits	(100)
Accounts payable	(3,247)
Accrued expenses	2,613
Total adjustments	<u>(96,860)</u>
Net cash provided by operating activities	<u>19,739</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(64,278)</u>
Net cash used in investing activities	<u>(64,278)</u>
Cash flows from financing activities:	
Proceeds from loans	<u>70,693</u>
Net cash provided by financing activities	<u>70,693</u>
Net increase in cash and cash equivalents	26,154
Cash and cash equivalents, beginning of year	<u>47,635</u>
Cash and cash equivalents, end of year	<u><u>\$ 73,789</u></u>
Interest paid	<u>\$ 783</u>
Taxes paid	<u>\$ -</u>

The notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF EAST PROVIDENCE, INC.

Notes to Financial Statements

December 31, 2013

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

The Boys & Girls Club of East Providence, Inc. (the Organization) was established in November, 1935, as a not-for-profit Rhode Island corporation. The Organization provides daycare, as well as other youth and elderly educational, recreational, and care programs, to the residents of the Providence County area. The primary sources of revenue are from daycare and camp fees, as well as government and foundation grants.

Basis of Financial Reporting

Method of Accounting

The Organization uses the accrual method of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

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 are those that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily restricted net assets are those whose use by the Organization has been restricted by donors to a specific time period or purpose. 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. The Organization has elected, however, to report restricted contributions whose restrictions are met in the same reporting period as they are received as unrestricted support.
- Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instrument and relevant state law. As of December 31, 2013, none of the Organization's assets were permanently restricted.

Note 1 continued on the next page.

Note 1 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains cash balances at local commercial banks. Cash accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Cash and cash equivalents include all cash balances and short-term investments with original maturities of less than one year.

The funds received from the Champlin Foundation are required to be held in a separate bank account and are subject to withdrawal provisions if certain conditions of the grant agreement are not met.

Accounts Receivable

Accounts receivable are stated at the amount the Organization expects to collect from balances outstanding at year end for daycare and other program fees.

On a periodic basis, the Organization evaluates its receivables and establishes an allowance for potentially uncollectible accounts. As of December 31, 2013, the allowance for uncollectible accounts was \$0.

Property and equipment

Property and equipment are recorded at cost. The fair value of donated fixed assets is similarly capitalized. Minor additions are expensed in the year incurred. Major additions, in dollar amounts generally greater than \$500, are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets, generally three to seven years, excluding building and improvements, which are depreciated over thirty-nine years.

Long lived assets, such as property and equipment, are reviewed on an ongoing basis for impairment based on comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets' carrying amounts are adjusted to fair value. There was no such adjustment during the year ended December 31, 2013.

Promises to Give

Contributions are recognized as support when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are released from restrictions and reclassified to unrestricted net assets.

Note 1 continued on the next page.

Note 1 - Summary of Significant Accounting Policies

Support and Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Legally enforceable grants and revenues are recorded in the year that they are made. Funds not collected at the end of each year on such grants and revenues are included in the accompanying statement of financial position as grants receivable.

Employee Benefit Plan

The Organization maintains a defined contribution retirement plan covering all eligible employees. The plan qualifies under Section 401(a) of the Internal Revenue Code and provides for an employer contribution equal to 5% of eligible employee compensation. The Organization's required contribution was \$10,145 for the year ended December 31, 2013.

Income Taxes

The Organization is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and is not considered a private foundation by the Internal Revenue Service. Accordingly, no provision for federal or state income taxes has been recorded in the accompanying financial statements.

The Organization evaluates its uncertain tax positions using the guidance for contingencies as contained in generally accepted accounting principles generally accepted in the United States of America. The Organization was not aware of any uncertain tax positions that were not provided for in the accompanying financial statements.

The Organization annually files Internal Revenue Service Form 990 – *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to IRS and state review for three years after filing. The Organization currently has no tax examinations in progress.

In-kind Contributions

Certain services, facilities, and equipment are donated to the Organization. Contributions of donated services, facilities, and equipment that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills or items, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the statement of activities.

During the year ended December 31, 2013, the Organization received the benefit of in-kind services, facilities, and equipment. An estimate of the fair value of these in-kind services and facilities has been recorded in the accompanying financial statements for 2013 (See Note 6).

Use of 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

Note 2 - Grants Receivable

Unconditional promises to give to the Organization are included in the accompanying statement of financial position as grants receivable. All grants receivable are expected to be collected in the year subsequent to being reported as a receivable. Management does not consider it necessary to provide an allowance for doubtful accounts for grants receivable as of December 31, 2013.

Conditional promises to give are not included as support until such time as the conditions are substantially met.

Note 3 - Property and Equipment

Property and equipment for the year ended December 31, 2013 is summarized as follows:

	<u>2013</u>
Buildings and improvements	\$ 857,808
Williams Avenue building addition	1,330,317
Camp improvements	393,277
Land	104,453
Furniture and fixtures	62,005
Vehicles	46,809
Office equipment	39,797
Recreation equipment	34,011
Computer laboratory equipment	<u>35,000</u>
Total property and equipment	<u>2,903,477</u>
Accumulated depreciation	<u>(1,131,294)</u>
Net property and equipment	<u>\$ 1,772,183</u>

Note 4 - Notes Payable

	<u>2013</u>
Note payable, vehicle. Interest at a rate of 11.04% per annum. Secured by vehicle. Monthly payments of \$540 of principal and interest are payable through December 2018.	\$ 24,694
Unsecured note payable, related party. Interest at a rate of 6% per annum. Monthly payments of \$889 of principal and interest are payable through December 2018.	<u>46,000</u>
Current portion	<u>70,694</u> <u>(12,049)</u>
Long-term portion	<u>\$ 58,644</u>

Note 4 continued on the next page.

Note 4 - Notes Payable (continued)

Maturity of notes payable is as follows:

2014	\$ 12,049
2015	13,006
2016	14,047
2017	15,179
2018	16,413
	<hr/>
	\$ 70,694
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Note 5 - Temporarily Restricted Net Assets

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	2013
	<hr/>
Champlin Foundation – roof for pool building	\$ 184,025
RI Foundation – capacity building	21,511
Boys & Girls Club of America – Be Great Graduate program	15,000
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Total	\$ 220,536
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Net assets were released from donor restrictions by paying expenses satisfying the restricted purpose, or by the occurrence of other events specified by donors, as follows:

	<hr/>
	2013
	<hr/>
Champlin Foundation – purchase of van	\$ 35,425
RI Foundation – capacity building	13,489
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Total	\$ 48,914
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During the year ended December 31, 2012, management used approximately \$50,000 of grant funds that were received for the purpose of purchasing new vehicles, for purposes other than the restricted purpose. During the year ended December 31, 2013, management replaced \$46,000 of these grant funds, which were then partially expended for their restricted purpose. Management intends to remedy this remaining grant compliance issue by replacing the remaining funds with unrestricted resources.

Note 6 - In-kind Donations

During the year ended December 31, 2013, the Organization was provided with in-kind contributions of services, facilities and equipment, consisting of smoke alarm monitoring, storage space, and energy-efficient lighting. The fair value of such contributions is estimated to be \$33,079. The in-kind contributions are included in the financial statements as revenue, applicable expense, and property and equipment.

Note 7 - Related Party Transaction

A member of the Board of Directors is a partner at the insurance agency which provides the Organization's insurance needs.

In December 2013, the Organization received an unsecured loan of \$46,000 from the husband of the Executive Director. No payments were made during 2013. The balance of the loan as of December 31, 2013 was \$46,000.

Note 8 - Estimates

The Organization has estimated that a property tax bill levied by the City of East Providence during 2013 for approximately \$36,000 will be waived due to pending legislation. Therefore, the Organization has recorded no expense or liability for this tax levy as of December 31, 2013.

Note 9 - Concentrations

Accounting principles generally accepted in the United States of America require organizations to disclose information regarding financial instruments which potentially subject the organization to a concentration of credit risk regardless of the degree of such risk. At December 31, 2013, financial instruments which potentially subject the Organization to concentrations of credit risk are accounts receivable.

At December 31, 2013, approximately 52% of the Organization's accounts receivable, for which no collateral is obtained, was due from one grantor.

The Organization derives a significant portion of its revenue from the State of Rhode Island for daycare and camp fees. During the year ended December 31, 2013, 26% of total revenue was derived from the State of Rhode Island. In addition, approximately 17% of revenue was derived from one foundation.

Note 10 - Evaluation of Subsequent Events

The Company has evaluated subsequent events through November 12, 2014, the date that the financial statements were available to be issued.