BOYS & GIRLS CLUB OF EAST PROVIDENCE, INC.

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Financial Statements

December 31, 2014

Mullen Scorpio Cerilli

Certified Public Accountants
Business Consultants

Mullen Scorpio Cerilli

BOYS & GIRLS CLUB OF EAST PROVIDENCE, INC.

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Independent Auditors' Report

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

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, 2014, 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, 2014, 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.

Mullen Scorpio Cerilli

November 2, 2015
Providence, Rhode Island

BOYS & GIRLS CLUB OF EAST PROVIDENCE, INC.

Statement of Financial Position

December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

Assets	2014	2013
Current assets:		
Cash and cash equivalents	$ 23,431	$ 18,935
Restricted cash	300,149	54,854
Accounts receivable	78,113	86,595
Grants receivable	26,600	200,450
Prepaid expenses	13,535	7,917
Total current assets	441,828	368,751
Property and equipment, net	1,717,908	1,772,183
Other assets:		
Deposits	100	100
Due from capital fund	4,268	4,000
Total other assets	4,368	4,100
Total assets	$ 2,164,104	$ 2,145,034
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 208,864	$ 180,235
Accrued expenses	32,957	18,931
Notes payable - current portion	8,592	12,049
Total current liabilities	250,413	211,215
Due to capital fund	4,268	4,000
Notes payable - long-term portion	29,972	58,644
Total liabilities	284,653	273,859
Net assets:		
Unrestricted	1,575,035	1,650,639
Temporarily restricted	304,416	220,536
Total net assets	1,879,451	1,871,175
Total liabilities and net assets	$ 2,164,104	$ 2,145,034

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, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support, revenue and other income:					
Public support:					
Government grants	$ 63,917	$ -	$ -	$ 63,917	$ 47,247
Foundation grants	92,114	152,330	-	244,444	251,002
Contributions	29,466	-	-	29,466	35,700
Total public support	185,497	152,330	-	337,827	333,949
Revenue and other income:					
Daycare fees	418,726	-	-	418,726	423,315
Camp fees	86,164	-	-	86,164	105,334
Swim program fees	13,036	-	-	13,036	14,256
Rental income	21,912	-	-	21,912	36,323
Membership fees	6,323	-	-	6,323	4,749
Special events	275	-	-	275	309
In-kind income	4,800	-	-	4,800	33,079
Other income	88	-	-	88	5,008
Total revenue and other income	551,324	-	-	551,324	622,373
Reclassification - net assets released from restrictions	68,450	(68,450)	-	-	-
Total public support, revenue, other income and reclassification	805,271	83,880	-	889,151	956,322
Expenses:					
Program expenses:					
Teen Program	7,760	-	-	7,760	16,632
Basic services	157,741	-	-	157,741	137,757
Childcare	368,624	-	-	368,624	369,701
Summer camp	79,957	-	-	79,957	90,450
Aquatics	126,224	-	-	126,224	119,832
Total program expenses	740,307	-	-	740,307	734,372
Supporting services:					
Management and general	140,568	-	-	140,568	105,351
Total expenses	880,875	-	-	880,875	839,723
Change in net assets	(75,604)	83,880	-	8,276	116,599
Net assets, beginning of year	1,650,639	220,536	-	1,871,175	1,754,576
Net assets, end of year	$ 1,575,035	$ 304,416	$ -	$1,879,451	$1,871,175

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, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	2014								2013
	Teen Program	Basic Services	Child Care	Summer Camp	Aquatics	Total Program Services	Management and General	Total Expense	Total Expense
Salaries and related expenses:									
Salaries and wages	$ -	$ 88,370	$ 195,587	$ 39,980	$ 33,045	$ 356,982	$ 34,856	$ 391,838	$ 353,167
Payroll taxes and worker's comp	-	6,787	15,806	3,057	2,588	28,239	7,709	35,947	43,501
Employee benefits	1,289	8,858	16,926	-	3,535	30,608	98	30,706	28,846
Total salaries and related expenses	1,289	104,015	228,319	43,037	39,168	415,829	42,662	458,491	425,514
Operating expenses:									
Snow removal and landscaping	199	1,324	1,657	5,677	-	8,857	185	9,042	9,424
Outside services	-	273		-	-	273	43,400	43,673	28,484
Program expenses	432	4,687	14,902	3,139	184	23,344	-	23,344	17,578
Supplies	-	916	106	-	-	1,021	4,204	5,225	2,632
Equipment rental	56	290	2,152	-	121	2,619	27	2,646	3,081
In-kind expenditures	-	-	-	-	-	-	4,800	4,800	4,800
Telephone	-	1,298	3,017	386	274	4,974	823	5,798	5,811
Transportation	-	168	18,178	15,540	50	33,936	25	33,961	32,801
Utilities	2,283	11,058	16,148	3,994	40,915	74,397	1,690	76,087	61,563
Postage and delivery	-	295	-	-	-	295	497	792	-
Printing	59	365	790	(164)	188	1,237	677	1,915	1,264
Conferences, meetings, dues	-	48	-	-	-	48	6,780	6,828	8,635
Insurance	-	7,704	21,661	-	19,428	48,793	(26)	48,767	42,140
Interest	-	-	-	-	-	-	4,943	4,943	1,026
Repairs and maintenance	2,574	9,797	14,684	6,036	5,627	38,718	1,412	40,130	55,117
Professional fees	-	60	2,181	1,563	94	3,898	685	4,583	10,779
Property taxes	-	-	-	-	-	-	-	-	9,058
Miscellaneous	-	695	590	750	224	2,259	20,847	23,106	34,710
Total operating expenses	5,603	38,979	96,065	36,921	67,104	244,672	90,966	335,639	328,903
Depreciation	867	14,747	44,240	-	19,951	79,805	6,940	86,745	85,306
Total expenses	$ 7,760	$ 157,741	$ 368,624	$ 79,957	$ 126,224	$ 740,307	$ 140,568	$ 880,875	$ 839,723

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, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	2014	2013
Net cash flows from operating activities:		
Change in net assets	$ 8,276	$ 116,599
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	86,745	85,305
Increase (decrease) in cash from changes in net assets and liabilities:		
Accounts receivable	8,482	(22,950)
Grants receivable	173,850	(157,601)
Prepaid expenses	(5,618)	(880)
Deposits	-	(100)
Accounts payable	28,629	(3,247)
Accrued expenses	14,026	2,613
Total adjustments	306,114	(96,860)
Net cash provided by operating activities	314,390	19,739
Cash flows from investing activities:		
Purchases of property and equipment	(32,470)	(64,278)
Net cash used in investing activities	(32,470)	(64,278)
Cash flows from financing activities:		
Principal payments on notes payable	(32,129)	70,693
Net cash provided by financing activities	(32,129)	70,693
Net increase in cash and cash equivalents	249,791	26,154
Cash and cash equivalents, beginning of year	73,789	47,635
Cash and cash equivalents, end of year	$ 323,580	$ 73,789
Interest paid	$ 4,943	$ 783
Taxes paid	$ -	$ -

The notes are an integral part of these financial statements.

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 Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and include certain prior year summarized comparative information in total but not by net asset class. Such information does not include 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 Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

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, 2014 and 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, 2014 and 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, 2014.

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.

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 years ended December 31, 2014 and 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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs, including depreciation, have been allocated among the programs and supporting services benefited. The Organization uses a salary basis for this purpose.

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, 2014 and 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 years ended December 31, 2014 and 2013 is summarized as follows:

	2014	2013
Buildings and improvements	$ 857,808	$ 857,808
Williams Avenue building addition	1,330,317	1,330,317
Camp improvements	394,741	393,277
Land	104,453	104,453
Furniture and fixtures	62,005	62,005
Vehicles	46,809	46,809
Office equipment	39,797	39,797
Recreation equipment	34,011	34,011
Computer laboratory equipment	35,000	35,000
Construction in progress (pool roof)	31,006	-
Total property and equipment	2,935,947	2,903,477
Accumulated depreciation	(1,218,039)	(1,131,294)
Net property and equipment	$ 1,717,908	$ 1,772,183

Note 4 - Notes Payable

	2014	2013
Note payable, vehicle. Interest at a rate of 11.04% per annum. Secured by vehicle. Monthly payments of $540 of principal and interest were payable through December 2018.	$ -	$ 24,693
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.	38,564	46,000
	38,564	70,693
Current portion	(8,592)	(12,049)
Long-term portion	$ 29,972	$ 58,644

Note 4 continued on the next page.

Note 4 - Notes Payable (continued)

Maturity of notes payable is as follows:

2015	$ 8,592
2016	9,121
2017	9,684
2018	10,281
2019	886
	$ 38,564

Note 5 - Temporarily Restricted Net Assets

	2014	2013
Champlin Foundation – roof and pool renovations	$ 304,416	$ 184,025
RI Foundation – capacity building	-	21,511
Boys & Girls Club of America – Be Great Graduate Program	-	15,000
Total	$ 304,416	$ 220,536

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:

	2014	2013
Champlin Foundation – roof and pool renovations	$ 31,939	$ -
Champlin Foundation – purchase of van	-	35,425
RI Foundation – capacity building	21,511	13,489
Boys & Girls Club of America - Be Great – Graduate Program	15,000	-
Total	$ 68,450	$ 48,914

As of December 31, 2014, management had not yet replaced approximately $4,300 of restricted funds which had been used in the current and prior years for other than the restricted purpose. Management intends to remedy this grant compliance issue by replacing the funds with unrestricted resources.

Note 6 - In-kind Donations

During the years ended December 31, 2014 and 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 $4,800 and $33,079, respectively. The in-kind contributions are included in the financial statements as revenue, applicable expense, and property and equipment.

Note 7 - 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 and $10,145 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, $32,243 and $23,098 had not been remitted to the plan trustee.

Note 8 - 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. During 2014 and 2013, $9,777 and $0, respectively, was paid in accordance with the terms of the loan. The balance of the loan as of December 31, 2014 and 2013 was $38,564 and $46,000.

Note 9 - 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, 2014.

Note 10 - 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, 2014 and 2013, financial instruments which potentially subject the Organization to concentrations of credit risk are accounts receivable.

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, 2014 and 2013, 25% and 26% of total revenue was derived from the State of Rhode Island. In addition, approximately 19% and 17% of revenue was derived from one foundation.

Note 11 - Evaluation of Subsequent Events

The Company has evaluated subsequent events through November 2, 2015, the date that the financial statements were available to be issued.