

**MADISON SQUARE BOYS  
AND GIRLS CLUB, INC.**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**SEPTEMBER 30, 2015**

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.**

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## **Independent Auditor's Report**

**Board of Directors  
Madison Square Boys and Girls Club, Inc.**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Madison Square Boys and Girls Club, Inc., which comprise the balance sheet as of September 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.

### ***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.

***Opinion***

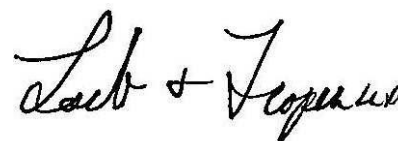
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Square Boys and Girls Club, Inc. as of September 30, 2015, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited Madison Square Boys and Girls Club, Inc.'s September 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



May 4, 2016

## MADISON SQUARE BOYS AND GIRLS CLUB, INC.

## BALANCE SHEET

SEPTEMBER 30, 2015

(With Summarized Financial Information for September 30, 2014)

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,030,920	\$ 5,240,597
Investments (Notes 2 and 5)	31,968,673	22,832,061
Government grants receivable	786,676	113,030
Contributions receivable (net of allowance of \$50,000 in 2015 and 2014) (Note 4)	36,326,414	33,603,407
Accrued interest receivable	5,553	14,641
Prepaid expenses and other assets	272,151	373,650
Beneficial interests in trusts (Note 10)	9,049,529	9,641,447
Fixed assets - net (Note 3)	<u>11,526,419</u>	<u>10,677,435</u>
Total assets	<u>\$ 90,966,335</u>	<u>\$ 82,496,268</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 626,800	\$ 361,250
Accounts payable - construction	868,254	
Lines of credit (Note 5)	1,344,360	5,407,091
Refundable advances	<u>265,060</u>	<u>298,239</u>
Total liabilities	<u>3,104,474</u>	<u>6,066,580</u>
Net assets (Exhibit B)		
Unrestricted		
General	5,706,901	1,782,166
Land, building and equipment	<u>11,526,419</u>	<u>10,677,435</u>
Total unrestricted	17,233,320	12,459,601
Temporarily restricted (Note 7)	45,641,612	38,837,376
Permanently restricted (Note 7)	<u>24,986,929</u>	<u>25,132,711</u>
Total net assets	<u>87,861,861</u>	<u>76,429,688</u>
Total liabilities and net assets	<u>\$ 90,966,335</u>	<u>\$ 82,496,268</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## MADISON SQUARE BOYS AND GIRLS CLUB, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2015  
(With Summarized Financial Information  
for the Year Ended September 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2015	2014
Revenues, gains, losses and other support					
Contributions	\$ 2,397,761	\$ 12,692,165	\$ 5,768	\$ 15,095,694	\$ 40,117,680
Special events (includes in-kind contributions of \$211,972)	2,936,047			2,936,047	3,294,938
Direct cost of special events	(793,027)			(793,027)	(929,086)
Income from trusts	471,224			471,224	484,775
Change in value of beneficial interest in trusts		(440,368)	(151,550)	(591,918)	(229,976)
United Way of New York City	589			589	3,106
New York State Office of Alcoholism and Substance Abuse Services	741,261			741,261	716,788
New York City Department of Youth and Community Development	312,038			312,038	96,513
New York State CACFP/Food Program	360,432			360,432	344,418
Boys & Girls Club of America - Office of Juvenile Delinquency Program	73,606			73,606	67,344
New York City Economic Development Corporation	443,903			443,903	
Other government grants	21,467			21,467	
Camping/program fees	191,559			191,559	216,623
Membership dues	13,659			13,659	14,657
Investment income (loss) (Note 8)	(498,332)	859,687		361,355	1,764,203
Gain (loss) on sale/disposal of fixed assets (Note 3)	789,833			789,833	(62,879)
Rental income	57,450			57,450	8,750
Miscellaneous					16,323
Net assets released from restrictions (Note 7)	6,307,248	(6,307,248)			
Total revenues, gains, losses and other support	13,826,718	6,804,236	(145,782)	20,485,172	45,924,177

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## MADISON SQUARE BOYS AND GIRLS CLUB, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2015  
 (With Summarized Financial Information  
 for the Year Ended September 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
Expenses (Exhibit C)					
Program services					
Physical education	\$ 1,598,933			\$ 1,598,933	\$ 1,535,888
Social and recreational	1,876,498			1,876,498	1,804,118
Education and guidance	3,802,677			3,802,677	3,646,490
Total program services	<u>7,278,108</u>			<u>7,278,108</u>	<u>6,986,496</u>
Supporting services					
Management and general	834,909			834,909	943,695
Fund raising	939,982			939,982	1,047,578
Total supporting services	<u>1,774,891</u>			<u>1,774,891</u>	<u>1,991,273</u>
Total expenses	<u>9,052,999</u>			<u>9,052,999</u>	<u>8,977,769</u>
Change in net assets (Exhibit D)	4,773,719	\$ 6,804,236	\$ (145,782)	11,432,173	36,946,408
Net assets - beginning of year	<u>12,459,601</u>	<u>38,837,376</u>	<u>25,132,711</u>	<u>76,429,688</u>	<u>39,483,280</u>
Net assets - end of year (Exhibit A)	<u>\$ 17,233,320</u>	<u>\$ 45,641,612</u>	<u>\$ 24,986,929</u>	<u>\$ 87,861,861</u>	<u>\$ 76,429,688</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## MADISON SQUARE BOYS AND GIRLS CLUB, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2015  
(With Summarized Financial Information  
for the Year Ended September 30, 2014)

	Program Services				Supporting Services			Total		
	Physical Education	Social and Recreational	Education and Guidance	Total	Management and General	Fund Raising	Direct Cost of Special Events	Total	2015	2014
Salaries	\$ 717,191	\$ 969,474	\$ 2,217,352	\$ 3,904,017	\$ 334,828	\$ 556,629		\$ 891,457	\$ 4,795,474	\$ 4,725,655
Payroll taxes and employee benefits	222,598	300,900	688,210	1,211,708	103,922	172,763		276,685	1,488,393	1,426,011
Total salaries and related expenses	939,789	1,270,374	2,905,562	5,115,725	438,750	729,392		1,168,142	6,283,867	6,151,666
Professional fees	7,734	10,455	23,912	42,101	86,641	61,278		147,919	190,020	283,678
Supplies	265,047	57,022	65,729	387,798	7,807	8,081		15,888	403,686	405,474
Postage and shipping	1,485	2,222	3,210	6,917	1,948	4,082		6,030	12,947	10,789
Telephone	9,688	13,866	20,819	44,373	2,398	5,429		7,827	52,200	41,669
Occupancy (Note 9)	158,273	208,721	339,746	706,740	120,763	85,850		206,613	913,353	847,500
Moving										21,045
Insurance	28,457	39,726	62,571	130,754	40,458			40,458	171,212	115,906
Outside printing and artwork	7,952	10,280	14,738	32,970	984	17,257		18,241	51,211	46,361
Local transportation	8,015	54,458	21,820	84,293	1,473	2,562		4,035	88,328	83,975
Meetings and conferences	2,305	2,894	4,646	9,845	5,556	291		5,847	15,692	21,866
Subscriptions, publications and dues	9,240	15,372	19,195	43,807	3,744	102		3,846	47,653	56,500
Awards and scholarships	2,748	3,388	27,656	33,792					33,792	33,023
Staff development/training	5,844	8,447	13,571	27,862	3,272	5,826		9,098	36,960	34,786
Equipment rental	2,087	3,317	5,174	10,578	5,495	4,025		9,520	20,098	14,529
Investment fees					253,868			253,868	253,868	167,746
Catering, facility rental and entertainment (includes in-kind expenses of \$211,972 in 2015 and \$226,046 in 2014)										
Interest and bank charges (includes interest of \$68,786 for 2015 and \$83,908 for 2014)					94,042				94,042	103,288
Bad debt expense										17,288
Depreciation	150,269	175,956	274,328	600,553	21,578	15,807		37,385	637,938	688,426
Total expenses	1,598,933	1,876,498	3,802,677	7,278,108	1,088,777	939,982	793,027	2,821,786	10,099,894	10,074,601
Less expenses deducted directly from revenues on the statement of activities										
Investment fees					(253,868)			(253,868)	(253,868)	(167,746)
Direct cost of special events							(793,027)	(793,027)	(793,027)	(929,086)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 1,598,933	\$ 1,876,498	\$ 3,802,677	\$ 7,278,108	\$ 834,909	\$ 939,982	\$ -	\$ 1,774,891	\$ 9,052,999	\$ 8,977,769

See independent auditor's report.

The accompanying notes are an integral part of these statements.



## MADISON SQUARE BOYS AND GIRLS CLUB, INC.

## STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2015

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 11,432,173
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	637,938
Net gain on investments	(317,247)
Contributions restricted for long-term use	(12,598,426)
Permanently restricted contributions	(5,768)
Change in value of beneficial interest in trusts	591,918
Gain on disposal of fixed assets	(789,833)
Decrease (increase) in assets	
Government grants receivable	(673,646)
Contributions receivable	(309,812)
Accrued interest receivable	9,088
Prepaid expenses and other assets	101,499
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	265,550
Refundable advances	(33,179)
Net cash used by operating activities	<u>(1,689,745)</u>
Cash flows from investing activities	
Purchase of investments	(17,938,235)
Proceeds from sale of investments	9,118,870
Purchase of fixed assets	(928,230)
Proceeds from sale of fixed assets	<u>1,099,395</u>
Net cash used by investing activities	<u>(8,648,200)</u>
Cash flows from financing activities	
Proceeds from permanently restricted contributions	4,177,357
Proceeds from contributions restricted for long-term use	6,013,642
Proceeds from line of credit	1,444,360
Repayments on line of credit	<u>(5,507,091)</u>
Net cash provided by financing activities	<u>6,128,268</u>
Net change in cash and cash equivalents	(4,209,677)
Cash and cash equivalents - beginning of year	<u>5,240,597</u>
Cash and cash equivalents - end of year	\$ <u><u>1,030,920</u></u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ <u><u>68,786</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2015****NOTE 1 - NATURE OF ORGANIZATION**

Madison Square Boys and Girls Club, Inc. (Madison) was established for the purpose of providing services to youth. These services include physical education, social and recreational, and education and guidance. The mission of Madison is to save and enhance the lives of New York City boys and girls who, by means of economic and/or social factors, are most in need of its services. Madison is supported primarily through contributions, special events, government grants, and investment income.

Madison is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is a publicly supported organization under Section 509(a).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting* - The financial statements are prepared on the accrual basis of accounting.

*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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Summarized financial information* - The financial statements 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 September 30, 2014, from which the summarized information was derived.

*Cash and cash equivalents* - Madison considers highly liquid financial instruments with maturities of three months or less when acquired, other than those held in Madison's investment portfolio, to be cash equivalents.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments** - Investments are stated at fair value. Madison invests in various investments. Investments in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the financial statements.

**Beneficial interests in trusts** - Beneficial interests in perpetual trusts are reported at fair value. Beneficial interests in other trusts are reported at their net present value using risk-adjusted interest rates.

**Fair Value Measurements**

*Fair Value Measurements* establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Madison has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fair Value Measurements (continued)*

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2015 as compared to those used at September 30, 2014.

*Equity securities, mutual funds and exchange traded funds* - Valued at the closing price reported on the active market on which the individual securities are traded.

*Beneficial interests in perpetual trusts* - Valued based on the fair value of the underlying assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Madison believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of September 30, 2015:

	<u>Level 1</u>
Equity securities	
Basic material	\$ 392,225
Consumer goods	2,063,829
Consumer discretionary	1,600,371
Consumer staples	199,917
Financial	2,536,850
Healthcare	5,045,999
Industrial goods	1,920,146
Services	330,384
Technology	1,960,893
Communications	261,148
Energy	488,711
Utilities	<u>148,505</u>
Total equity securities	<u>16,948,978</u>

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## MADISON SQUARE BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fair Value Measurements (continued)*

	<u>Level 1</u>
Mutual funds	
Equity funds	\$ 5,491,997
Bond funds	<u>8,297,989</u>
Total mutual funds	13,789,986
Exchange traded funds	
Specialty funds	<u>6,240</u>
Total Level 1 investments	30,745,204
Cash equivalents	<u>1,223,469</u>
Total investments	\$ <u>31,968,673</u>
	<u>Level 3</u>
Beneficial interest in perpetual trusts (Note 10)	\$ <u>1,957,240</u>

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fair Value Measurements (continued)*

**Level 3 Gains and Losses**

The table below sets forth a summary of changes in fair value of Level 3 assets for the year ended September 30, 2015:

	<b>Beneficial Interest in Perpetual Trusts</b>
Balance, beginning of year	\$ 2,108,790
Change in value	<u>(151,550)</u>
Balance, end of year	<u>\$ 1,957,240</u>
The amount of total gain for the period included in changes in net assets attributable to the change in unrealized gain (loss) relating to assets still held at the reporting date	<u>\$ (151,550)</u>

***Government grants receivable*** - Government grants receivable are recorded when services are rendered or when expenses have been incurred on grant contracts in accordance with contract terms. Interest is not charged on overdue receivables.

***Contributions receivable*** - Unconditional promises to give are recorded as receivables and revenues and are recognized when the promises are made at their net realizable value. Unconditional promises to give that are expected to be collected within one year are recorded at fair value (net of allowance for uncollectible contributions). Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates. Conditional promises to give are not included as support until the conditions are substantially met.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Allowance for doubtful accounts*** - Madison's management determines whether an allowance for doubtful accounts receivable should be provided. Such estimates are based upon management's assessment of the age, current economic conditions, subsequent collections and historical information of the accounts receivable.

***Fixed assets*** - Fixed assets are recorded at cost. Acquisitions with a cost of \$1,000 and an estimated useful life of more than one year are subject to capitalization. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

***Refundable advances*** - Refundable advances represent grant funds advanced by various government agencies for future periods.

***Contributions*** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

***Grant revenue*** - Revenues from reimbursement contracts are recognized when allowable reimbursable expenses are incurred under the terms of the contract. Such revenues are subject to audit by the awarding agencies. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

***In-kind contributions*** - Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. The value of contributed services (principally goods and services) meeting the requirements for recognition in the accompanying financial statements amounted to \$211,972 in 2015. The value of the services is based on information obtained from the donors.

***Functional allocation of expenses*** - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Rent expense** - Rent expense is reported on the straight-line basis, taking into account rent concessions and escalations.

**Rental income** - Rental income is reported on the straight-line basis.

**Net Assets**

Madison's net assets consist of the following:

**Unrestricted**

**A. General - includes the Operating and Board Designated funds**

1. **Operating** - Represents the general activities of the organization.
2. **Board designated** - Represents funds designated by the Board of Directors to be used for capital improvements, operating lease commitments, and summer programs. The balance as of September 30, 2015 was \$2,435,374.

**B. Land, Building and Equipment** - Represents fixed assets net of accumulated depreciation.

**Unrestricted Net Assets**

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Resources which are set aside for board-designated purposes are unrestricted.

**Temporarily Restricted**

Temporarily restricted net assets are those whose use by the organization has been limited by donors to a specific time period or purpose.

**Permanently Restricted**

Represents net assets that are restricted in perpetuity, the income from which is subject to the restrictions of the gift instruments.

**Subsequent events** - Subsequent events have been evaluated through May 4, 2016, which is the date the financial statements were available to be issued.

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## MADISON SQUARE BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Uncertainty in income taxes* - Madison has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending September 30, 2012 and subsequent remain subject to examination by applicable taxing authorities.

## NOTE 3 - FIXED ASSETS

	2015			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Estimated Useful Lives</u>
Land	\$ 370,734		\$ 370,734	
Land - Harlem Future Clubhouse	5,301,783		5,301,783	
Building and improvements	15,724,399	\$ 11,165,919	4,558,480	5 - 25 years
Equipment and furnishings	1,423,747	1,238,472	185,275	5 - 15 years
Construction in progress	<u>1,110,147</u>		<u>1,110,147</u>	
	<u>\$ 23,930,810</u>	<u>\$ 12,404,391</u>	<u>\$ 11,526,419</u>	
Administration	\$ 765,442	\$ 656,281	\$ 109,161	
Building improvements	32,609	5,412	27,197	
Bronx Club - Columbus building	2,402,557	1,725,354	677,203	
Bronx Club - Joel E. Smilow Clubhouse	5,249,817	3,689,489	1,560,328	
Navy Yard Boys' Club	4,438,034	3,589,996	848,038	
Thomas S. Murphy Clubhouse	4,630,421	2,737,859	1,892,562	
Future Harlem Clubhouse site	<u>6,411,930</u>		<u>6,411,930</u>	
	<u>\$ 23,930,810</u>	<u>\$ 12,404,391</u>	<u>\$ 11,526,419</u>	

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## MADISON SQUARE BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

## NOTE 3 - FIXED ASSETS (continued)

	2014			Estimated Useful Lives
	Cost	Accumulated Depreciation	Net	
Land	\$ 487,234		\$ 487,234	
Land - Harlem Future Clubhouse	5,301,783		5,301,783	
Land improvement	2,730	\$ 2,730		
Building and improvements	16,125,896	11,548,784	4,577,112	5 - 25 years
Equipment and furnishings	1,576,950	1,303,640	273,310	5 - 15 years
Construction in progress	<u>37,996</u>		<u>37,996</u>	
	<u>\$ 23,532,589</u>	<u>\$ 12,855,154</u>	<u>\$ 10,677,435</u>	
Administration	\$ 748,868	\$ 581,287	\$ 167,581	
Building improvements Bronx Club - Columbus building	20,578	1,470	19,108	
	2,392,256	1,638,375	753,881	
Bronx Club - Joel E. Smilow Clubhouse	4,735,155	3,562,878	1,172,277	
Camp Madison	1,398,263	1,088,701	309,562	
Navy Yard Boys' Club Thomas S. Murphy Clubhouse	4,424,927	3,407,254	1,017,673	
	4,472,761	2,575,189	1,897,572	
Future Harlem Clubhouse site	<u>5,339,781</u>		<u>5,339,781</u>	
	<u>\$ 23,532,589</u>	<u>\$ 12,855,154</u>	<u>\$ 10,677,435</u>	

In 2015, Madison sold Camp Madison for \$1,099,395. Fixed assets of \$1,398,263, including accumulated depreciation of \$1,088,701, were sold and Madison realized a gain on sale of \$789,833.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2015****NOTE 4 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable, including the capital campaign, have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using a discount rate of 2%. Contributions receivable consist of the following:

2016	\$ 18,834,577
2017	6,931,000
2018	5,931,100
2019	4,845,000
2020	<u>520,000</u>
	37,061,677
Less allowance for doubtful accounts	(50,000)
Less present value discount	<u>(685,263)</u>
	<u>\$ 36,326,414</u>

In 2014, Madison received a \$20,000,000 multi-year pledge, payable in five equal installments of \$4,000,000, related to its capital campaign. The pledge balance as of September 30, 2015 was \$15,922,643.

**NOTE 5 - LINES OF CREDIT**

On September 14, 2011, Madison established a revolving line of credit with Merrill Lynch Wealth Management, which renewed annually. Madison pledged the investments held by Merrill Lynch Wealth Management as collateral. The line of credit was closed in June 2015. The line of credit was limited to approximately 90% of the fair value of the investments pledged as collateral. Interest charged was based upon the one-month LIBOR plus 1.75%, and interest expense was \$22,979 for the year ended September 30, 2015.

On December 5, 2012, Madison established a line of credit with JP Morgan Chase Bank, N.A. for an amount not to exceed \$6,500,000. The line of credit was to expire on December 31, 2014 but was extended through June 30, 2016. The line of credit is collateralized by the investments held by JP Morgan Chase Bank, N.A., which totaled \$11,984,099 at September 30, 2015. As of September 30, 2015, Madison's unpaid balance on this account totaled \$1,344,360. The unused line of credit available to Madison was \$5,155,640 as of September 30, 2015. The interest rate at September 30, 2015 is based upon the one-month LIBOR two days prior to the payment due date plus 1.40%. The interest rate at September 30, 2015 was 1.59%, and interest expense was \$45,807 for the year ended September 30, 2015.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

**NOTE 6 - PENSION PLAN**

Madison participates in the Boys and Girls Club of America Pension Trust (the Plan). The Plan is a defined contribution plan which covers substantially all full-time employees. Madison contributes 10% of participating employees' annual salaries. Employees are fully vested after three years of employment. Pension expense was \$272,623 in 2015 and \$259,588 in 2014.

**NOTE 7 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
100th Anniversary Fund		
Clubhouse Service Fund	\$ 5,050,578	\$ 5,070,836
Remedial Education Fund	2,573,198	2,583,487
Staff Development Training Fund	217,123	218,410
Camp and Outdoor Education Fund	84,038	84,359
Campaign for the 90s and 29th St. Property	2,335,886	2,643,744
Capital Campaign	27,732,369	20,155,218
Scholarship funds		
Eugenia Woodward Hitt Scholarship Fund	139,119	152,315
Joseph Golding Fund	114,215	125,049
Monroe and Rose Levinger Fund	10,537	11,536
Dana, Freeman, Harkness, Maxwell, Guzman, Dibernardo Fund	237,260	259,765
Earl and Erna Ross Trust	7,092,289	7,532,657
Restricted Capital Grants	<u>55,000</u>	<u>-</u>
	<u>\$ 45,641,612</u>	<u>\$ 38,837,376</u>

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

**NOTE 7 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

**(continued)**

During 2015 and 2014, net assets were released from donor restrictions by incurring expenses satisfying the following purposes specified by donors:

<u>Purpose Restrictions Accomplished</u>	<u>2015</u>	<u>2014</u>
Scholarships	\$ 41,446	\$ 35,154
Clubhouse services	362,401	452,090
Remedial education	184,076	230,331
Staff development training	23,010	19,472
Camp and outdoor education	5,752	7,521
Renovations and improvements	226,491	102,829
Capital Campaign related costs	<u>5,464,072</u>	<u>1,488,695</u>
	<u>\$ 6,307,248</u>	<u>\$ 2,336,092</u>

Permanently restricted net assets from perpetual trusts are available for investment in perpetuity, the income from which is expendable to support:

	<u>2015</u>	<u>2014</u>
Perpetual trusts		
General operations (beneficial interest in perpetual trusts) (Note 10)	<u>\$ 1,957,240</u>	<u>\$ 2,108,790</u>

**Permanently Restricted Net Assets (Endowment Funds)**

***General***

Madison has one donor-restricted endowment fund established to provide income to fund its future operations related to its clubhouses. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

**NOTE 7 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

**(continued)**

***Permanently Restricted Net Assets (Endowment Funds) (continued)***

***Interpretation of Relevant Law***

The Board of Directors of Madison has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA permits charities to apply a spending policy to endowments based on certain specified standards of prudence. Madison is governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years' balance. As a result of this interpretation, Madison classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Madison in a manner consistent with the standards of prudence prescribed by NYPMIFA.

***Return Objectives, Strategies Employed and Spending Policy***

The objective of Madison is to maintain the principal endowment funds at the original amount designated by the donor while generating income for Madison's programs. The investment policy to achieve this objective is to invest in a diversified investment portfolio. Investment income earned in relation to the endowment funds is recorded as temporarily restricted income and released from restriction upon expenditures for the programs for which the endowment was established.

***Funds with Deficiencies***

Madison does not have any funds with deficiencies.

***Endowment Net Asset Composition by Type of Fund***

	<u>2015</u>	<u>2014</u>
Donor-restricted endowment fund	\$ <u>23,029,689</u>	\$ <u>23,023,921</u>

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## MADISON SQUARE BOYS AND GIRLS CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 7 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS  
(continued)*Permanently Restricted Net Assets (Endowment Funds) (continued)**Changes in Endowment Net Assets for the Year Ended September 30, 2015*

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 171,845	\$ 23,023,921	\$ 23,195,766
Contributions		5,768	5,768
Investment return*	<u>442,797</u>	<u>                    </u>	<u>442,797</u>
Endowment net assets, end of year	<u>\$ 614,642</u>	<u>\$ 23,029,689</u>	<u>\$ 23,644,331</u>

\*Investment return consists of:

Dividends and interest	\$ 77,753
Net realized and unrealized gains and losses	397,946
Investment fees	<u>(32,902)</u>
	<u>\$ 442,797</u>

## NOTE 8 - INVESTMENT INCOME

	<u>2015</u>	<u>2014</u>
Realized gain	\$ 776,362	\$ 657,570
Unrealized gain (loss)	(459,115)	976,336
Interest and dividends	<u>297,976</u>	<u>298,043</u>
	615,223	1,931,949
Less investment fees	<u>(253,868)</u>	<u>(167,746)</u>
	<u>\$ 361,355</u>	<u>\$ 1,764,203</u>

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2015****NOTE 9 - LEASES**

On June 2, 2014, Madison entered into a lease for its administrative offices which commenced on August 12, 2014. The lease includes rent concessions at inception and rent escalations during the term of the lease. The lease is set to expire on December 30, 2021.

Future minimum rental payments are as follows:

2016	\$	377,440
2017		377,440
2018		377,440
2019		391,594
2020		391,594
Thereafter		<u>500,108</u>
Total	\$	<u>2,415,616</u>

Madison rents storage space on a month-to-month basis.

In addition, Madison leases three vehicles. The leases expire in March and August of 2017. Lease expense for the year ended September 30, 2015 was \$16,933.

Future minimum lease payments are as follows:

2016	\$	16,933
2017		<u>13,398</u>
	\$	<u>30,331</u>

Total lease and rental expense for the year ended September 30, 2015 was \$397,204.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2015****NOTE 10 - BENEFICIAL INTEREST IN TRUSTS****Beneficial Interest in Remainder Trusts**

Madison obtained commitments from donors whereby the donor established a trust in which Madison has an irrevocable interest and the assets are placed under the control of a trustee other than Madison. The trustee acts as the fiduciary of the assets and, ten years after the death of the donor, the assets will be transferred to Madison. The last surviving beneficiary of the Erna Ross Trust has already expired and the assets will be transferred in September 2017. The balance at September 30, 2015 was \$7,092,289.

**Beneficial Interests in Perpetual Trusts**

Under the terms of the trusts, the income generated from the trusts is payable to Madison. The contribution is classified as permanently restricted support and the annual distributions from the trusts are reported as investment income that increases the unrestricted net assets. The balance at September 30, 2015 was \$1,957,240.

**NOTE 11 - CONCENTRATIONS AND CONTINGENCIES**

Financial instruments which potentially subject Madison to a concentration of credit risk are cash accounts in excess of FDIC insurance limits.

**NOTE 12 - CAPITAL CAMPAIGN**

In connection with the purchase of the property in Harlem in 2012, Madison began a capital campaign to raise funds for the construction of a future clubhouse and to create an endowment to support Madison's activities. A total of \$64,797,883 has been raised as of September 30, 2015, of which \$6,100,000 are conditional pledges, and \$750,000 is a non-enforceable pledge and, in accordance with generally accepted accounting principles, are not recorded in Madison's financial statements as of September 30, 2015. A discount of \$685,263 has been recorded against future pledges receivable (Note 4). Payments of \$21,971,758 were received as of September 30, 2015. Madison has begun design development on the future Harlem Clubhouse and anticipates construction to be completed in the fall of 2018.

## MADISON SQUARE BOYS AND GIRLS CLUB, INC.

SCHEDULE OF CHANGES IN TEMPORARILY RESTRICTED  
NET ASSETS

YEAR ENDED SEPTEMBER 30, 2015

	Net Assets - Beginning of Year	Support, Gains and Losses	Net Assets Released from Restrictions	Net Assets - End of Year
100th Anniversary Fund				
Clubhouse Service Fund	\$ 5,070,836	\$ 342,143	\$ (362,401)	\$ 5,050,578
Remedial Education Fund	2,583,487	173,787	(184,076)	2,573,198
Staff Development Training Fund	218,410	21,723	(23,010)	217,123
Camp and Outdoor Education Fund	84,359	5,431	(5,752)	84,038
Total 100th Anniversary Fund	<u>7,957,092</u>	<u>543,084</u>	<u>(575,239)</u>	<u>7,924,937</u>
Campaign for the 90s and 29th St. Property Sale	<u>2,643,744</u>	<u>(81,367)</u>	<u>(226,491)</u>	<u>2,335,886</u>
Capital Campaign				
Capital Campaign for building	19,983,373	12,598,426	(5,464,072)	27,117,727
Unappropriated earnings on endowment funds	171,845	442,797		614,642
Total Capital Campaign	<u>20,155,218</u>	<u>13,041,223</u>	<u>(5,464,072)</u>	<u>27,732,369</u>
Eugenia Woodward Hitt Scholarship Fund	152,315	(1,690)	(11,506)	139,119
Joseph Golding Fund	125,049	(1,388)	(9,446)	114,215
Monroe and Rose Levinger Fund	11,536	(128)	(871)	10,537
Dana, Freeman, Harkness, Maxwell, Guzman, Dibernardo Fund	259,765	(2,882)	(19,623)	237,260
Total Scholarship Funds	<u>548,665</u>	<u>(6,088)</u>	<u>(41,446)</u>	<u>501,131</u>
Earl and Erna Ross Trust	<u>7,532,657</u>	<u>(440,368)</u>		<u>7,092,289</u>
Restricted Capital Grants		<u>55,000</u>		<u>55,000</u>
Total (Exhibit B)	<u>\$ 38,837,376</u>	<u>\$ 13,111,484</u>	<u>\$ (6,307,248)</u>	<u>\$ 45,641,612</u>

See independent auditor's report.

## MADISON SQUARE BOYS AND GIRLS CLUB, INC.

SCHEDULE OF CHANGES IN PERMANENTLY RESTRICTED  
NET ASSETS

YEAR ENDED SEPTEMBER 30, 2015

	<u>Net Assets - Beginning of Year</u>	<u>Support, Gains and Losses</u>	<u>Net Assets - End of Year</u>
Perpetual Trusts			
Ruby Fleming Trust	\$ 1,115,717	\$ (73,240)	\$ 1,042,477
Glessner B. Childs Trust	<u>993,073</u>	<u>(78,310)</u>	<u>914,763</u>
Total Perpetual Trusts	2,108,790	(151,550)	1,957,240
Capital Campaign endowment	<u>23,023,921</u>	<u>5,768</u>	<u>23,029,689</u>
Total (Exhibit B)	<u><u>\$ 25,132,711</u></u>	<u><u>\$ (145,782)</u></u>	<u><u>\$ 24,986,929</u></u>

See independent auditor's report.