



Financial Statements
(Together with Independent Auditors' Report)

Years Ended September 30, 2009 and 2008

THE BOYS' CLUB OF NEW YORK

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-15



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Boys' Club of New York

We have audited the accompanying statements of financial position of The Boys' Club of New York (the "Club") as of September 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits 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 misstatement. 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 audits provide 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' Club of New York as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP

New York, NY
January 20, 2010



**THE BOYS' CLUB OF NEW YORK
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents (Notes 2D and 10A)	\$ 137,816	\$ 230,486
Contributions receivable, net (Notes 2F, 6 and 10B)	7,018,530	11,600,768
Prepaid expenses and other assets	618,554	279,500
Investments (Notes 2E, 2M, 4,10A and 11)	52,730,112	60,233,221
Property and equipment, net (Notes 2G and 3)	<u>24,770,911</u>	<u>23,524,118</u>
TOTAL ASSETS	<u>\$ 85,275,923</u>	<u>\$ 95,868,093</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 641,512	\$ 373,421
Deferred revenue (Note 2H)	191,750	451,562
Accrued pension benefit obligation (Note 5)	3,927,716	1,633,674
Asset retirement obligation (Note 9)	<u>1,059,985</u>	<u>1,029,112</u>
TOTAL LIABILITIES	<u>5,820,963</u>	<u>3,487,769</u>
COMMITMENT (Note 8)		
NET ASSETS (Note 2B)		
Unrestricted		
Designated for operations (Note 7)	17,119,617	23,564,979
Net investment in land, buildings and equipment	<u>23,710,926</u>	<u>22,495,006</u>
Total unrestricted	40,830,543	46,059,985
Temporarily restricted (Note 7)	7,220,956	11,405,207
Permanently restricted (Note 7)	<u>31,403,461</u>	<u>34,915,132</u>
TOTAL NET ASSETS	<u>79,454,960</u>	<u>92,380,324</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 85,275,923</u>	<u>\$ 95,868,093</u>

The accompanying notes are an integral part of these financial statements.

**THE BOYS' CLUB OF NEW YORK
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	Year Ended September 30, 2009			Year Ended September 30, 2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008
OPERATING REVENUE AND SUPPORT:								
Contributions (Notes 2B, 2C, 6 and 10B)	\$ 892,687	\$ 1,730,092	\$ -	\$ 2,622,779	\$ 1,373,051	\$ 7,091,764	\$ -	\$ 8,464,815
Special events (net of direct expenses of \$805,500 and \$1,107,501 for 2009 and 2008, respectively)	1,751,723	-	-	1,751,723	2,705,801	-	-	2,705,801
Investment return (Notes 2B, 2J and 4)	4,705,000	146,287	-	4,851,287	4,131,000	228,426	-	4,359,426
Food program income and other	354,630	-	-	354,630	426,983	-	-	426,983
Net assets released from restrictions (Note 2B)	6,310,650	(6,310,650)	-	-	3,315,003	(3,315,003)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	14,014,670	(4,434,251)	-	9,580,419	11,951,838	4,005,187	-	15,957,025
OPERATING EXPENSES (Notes 2I and 2J):								
Program Services:								
Clubhouse activities	7,080,604	-	-	7,080,604	6,882,042	-	-	6,882,042
Camping	991,375	-	-	991,375	1,189,859	-	-	1,189,859
Health services	7,614	-	-	7,614	34,354	-	-	34,354
Physical education	494,065	-	-	494,065	532,936	-	-	532,936
Educational services	2,333,505	-	-	2,333,505	2,603,655	-	-	2,603,655
Food program	308,261	-	-	308,261	344,653	-	-	344,653
Total Program Services	11,215,424	-	-	11,215,424	11,587,499	-	-	11,587,499
Supporting Services:								
Management and general	1,605,380	-	-	1,605,380	1,081,262	-	-	1,081,262
Fund raising	1,193,714	-	-	1,193,714	1,068,677	-	-	1,068,677
Total Supporting Services	2,799,094	-	-	2,799,094	2,149,939	-	-	2,149,939
TOTAL OPERATING EXPENSES	14,014,518	-	-	14,014,518	13,737,438	-	-	13,737,438
EXCESS (DEFICIT) OF OPERATING REVENUE AND SUPPORT OVER OPERATING EXPENSES	152	(4,434,251)	-	(4,434,099)	(1,785,600)	4,005,187	-	2,219,587
NON-OPERATING ACTIVITIES (Note 2J):								
Investment return in excess of amount appropriated for operations (Note 4)	(6,759,737)	-	-	(6,759,737)	(20,175,818)	-	-	(20,175,818)
Endowment contributions (Note 2B)	-	-	37,075	37,075	-	-	35,597	35,597
Bequests (Note 2K)	394,412	250,000	-	644,412	122,873	10,000	-	132,873
TOTAL NON-OPERATING ACTIVITIES	(6,365,325)	250,000	37,075	(6,078,250)	(20,052,945)	10,000	35,597	(20,007,348)
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES AND OTHER ITEMS	(6,365,173)	(4,184,251)	37,075	(10,512,349)	(21,838,545)	4,015,187	35,597	(17,787,761)
Pension related changes other than net periodic pension costs (Note 5)	(2,382,142)	-	-	(2,382,142)	(723,179)	-	-	(723,179)
Increase in asset retirement obligation (Note 9)	(90,873)	-	-	(90,873)	(30,000)	-	-	(30,000)
Other transfers (Note 7)	3,548,746	-	(3,548,746)	-	-	-	-	-
CHANGE IN TOTAL NET ASSETS	(5,229,442)	(4,184,251)	(3,511,671)	(12,925,364)	(22,591,724)	4,015,187	35,597	(18,540,940)
Net assets - beginning of year	46,059,985	11,405,207	34,915,132	92,380,324	68,651,709	7,390,020	34,879,535	110,921,264
NET ASSETS - END OF YEAR	\$ 40,830,543	\$ 7,220,956	\$ 31,403,461	\$ 79,454,960	\$ 46,059,985	\$ 11,405,207	\$ 34,915,132	\$ 92,380,324

The accompanying notes are an integral part of these financial statements.

**THE BOYS' CLUB OF NEW YORK
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	Year Ended September 30, 2009				Year Ended September 30, 2008				
	Program Services	Management & General	Fund-raising	Total Supporting Services	Program Services	Management & General	Fund-raising	Total Supporting Services	Total Expenses 2008
Personnel service costs	\$ 5,314,732	\$ 607,485	\$ 745,947	\$ 1,353,432	\$ 5,279,211	\$ 470,782	\$ 702,395	\$ 1,173,177	\$ 6,452,388
Payroll taxes and benefits (Note 5)	1,549,182	173,000	216,921	389,921	1,471,895	135,199	201,713	336,912	1,808,807
Utilities	414,631	5,317	1,772	7,089	560,186	8,276	2,759	11,035	571,221
Professional fees	29,261	190,774	43,489	234,263	9,718	72,002	3,261	75,263	84,981
Repairs, maintenance and equipment	344,164	5,600	9,530	15,130	297,269	11,385	11,739	23,124	320,393
Insurance	424,238	96,878	26,425	123,303	391,724	98,436	23,096	121,532	513,256
Printing and publications	3,066	35,925	9,480	45,405	22,352	53,347	6,752	60,099	82,451
Computer expenses	52,976	25,228	21,018	46,246	80,605	36,207	14,084	50,291	130,896
Travel and Transportation	88,817	9,457	3,783	13,240	65,063	15,700	1,402	17,102	82,165
Telephone and telecommunications	73,249	20,084	7,141	27,225	79,143	18,254	5,067	23,321	102,464
Office/program supplies, etc.	620,782	158,258	83,263	241,521	1,068,469	84,633	78,988	163,621	1,232,090
Tuition assistance	365,527	-	-	-	324,598	-	-	-	324,598
Food	274,025	-	-	-	301,211	-	-	-	301,211
Bad debt	-	230,000	-	230,000	-	-	-	-	-
Depreciation	1,660,774	47,374	24,945	72,319	1,636,055	77,041	17,421	94,462	1,730,517
TOTAL EXPENSES	\$ 11,215,424	\$ 1,605,380	\$ 1,193,714	\$ 2,799,094	\$ 11,567,499	\$ 1,081,262	\$ 1,068,677	\$ 2,149,939	\$ 13,737,438

**THE BOYS' CLUB OF NEW YORK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (12,925,364)	\$ (18,540,940)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	1,733,093	1,730,517
Bad debt	230,000	-
Pension related changes other than net periodic pension costs	2,382,142	723,179
Change in discount on contributions receivable	(181,981)	24,435
Increase in asset retirement obligation	30,873	30,000
Net realized and unrealized loss on investments	2,217,098	16,238,785
Permanently restricted contributions	(37,075)	(35,597)
Sub-total	(6,551,214)	170,379
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	4,534,219	(4,005,314)
Prepaid expenses and other assets	(339,054)	127,326
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	268,091	(104,799)
Deferred revenues	(259,812)	(404,537)
Asset retirement obligation	-	(177,187)
Accrued pension benefit obligation	(88,100)	(733,253)
Net Cash Used by Operating Activities	(2,435,870)	(5,127,385)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(21,873,791)	(22,490,287)
Proceeds from sales of investments	27,159,802	30,025,993
Purchases of property and equipment	(2,979,886)	(2,491,496)
Net Cash Provided by Investing Activities	2,306,125	5,044,210
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions	37,075	35,597
Net Cash Provided by Financing Activities	37,075	35,597
NET DECREASE IN CASH AND CASH EQUIVALENTS	(92,670)	(47,578)
Cash and cash equivalents - beginning of year	230,486	278,064
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 137,816	\$ 230,486

THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Founded in 1876 by Edward H. Harriman, The Boys' Club of New York (the "Club") was one of the first Boys' Clubs in America and helped launch the national Boys' Club movement. For the last 133 years, the Club has served boys from New York's poorest neighborhoods with programs that became prototypes for youth agencies around the country. The Club is an organization described under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from Federal income taxes under Section 501(a) of the Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Club's financial statements have been prepared on the accrual basis of accounting. The Club adheres to accounting policies generally accepted in the United States of America ("U.S. GAAP").
- B. The Club maintains its net assets under the following three classes:

Unrestricted

This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Unrestricted net assets include amounts designated by the Board of Trustees (the "Board") for operations, investment in property and equipment and endowment investment. The amounts designated for operations, although expendable, are designated by the Board.

Temporarily Restricted

This represents net assets subject to donor-imposed stipulations that will be met by actions of the Club or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted

This represents net assets subject to donor-imposed stipulations that they are maintained permanently by the Club. Generally, the donors of these assets permit the Club to use all or part of the income earned on related investments for unrestricted or donor-specified purposes.

Interest and dividend income and net realized and unrealized gains on investments of permanently restricted net assets are reported as follows:

- As increases in temporarily restricted net assets, if the terms of the gift impose restrictions on the use of the income and/or net gains and the restriction is not met in the same reporting period.
 - As increases in unrestricted net assets in all other cases.
- C. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Many volunteers, including members of the Board of Trustees, have made significant contributions of time in furtherance of Club's policies and programs. The value of this contributed time does not meet the criteria of recognition and therefore is not reflected in the accompanying statements of activities.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or assets to be used to acquire land, buildings and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near to their maturity (three months or less at the time of purchase) that they present insignificant risk of changes in value because of changes in interest rates, except for those managed as a component of the Club's investment portfolio.
- E. Investments are stated at fair value based upon quoted market prices. The fair values of alternative investments that are not readily marketable are based upon values provided by the investment managers, which are reviewed for reasonableness by management. The carrying value of investments and the Club's other financial instruments reported in the statements of financial position approximates fair value.
- F. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

As of September 30, 2009 and 2008, the Club determined that an allowance for doubtful accounts of \$230,000 and \$0, respectively was necessary for uncollectible accounts. This determination was based on a combination of factors such as management's estimate of the creditworthiness of its donors, a review of individual accounts outstanding, the aged basis of the receivables and historical experience.

- G. Property and equipment are stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. The Club capitalizes property and equipment with a cost of \$2,500 or more and a useful life of greater than two years. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.
- H. On occasion, the Club receives cash advances for special events that are to be held after the statement of financial position date. It is the policy of the Club to refund all cash received in advance of special events (both contribution and exchange portions), if the event is subsequently canceled.
- I. The costs of providing program and supporting services of the Club have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.
- J. The Club includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including an authorized investment income allocation and all contributions except for those that have been permanently restricted by donors. Investment income, including realized and unrealized gains and losses, earned in excess of (or less than) the Club's aggregate spending amount (see Note 4), bequests, contributions to permanently restricted net assets and other non-operating gains or losses are recognized as non-operating activities.
- K. The Club recognizes bequests and legacies as support when the wills have passed probate and the sum is certain.
- L. 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 disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- M. Effective October 1, 2008, except as described below, the Club adopted the Financial Accounting Standards Board ("FASB") Statement No. 157, "Fair Value Measurements" ("SFAS No. 157") (now at Accounting Standards Codification ("ASC") 820-10), which provides a framework for measuring fair value under U.S. GAAP. SFAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis.

THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2008, the FASB issued FASB Staff Position FAS 157-2, "Effective Date of FASB Statement No. 157," which permits a one-year deferral for the implementation of the provisions of ASC 820-10 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Club has adopted the portion of the fair value standard that has not been delayed as of October 1, 2008 and plans to adopt the balance of its provisions as of its fiscal year beginning October 1, 2009.

As defined in U.S. GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Club uses various methods including market, income and cost approaches. Based on these approaches, the Club often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Club utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Club is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities, or model derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations are based on unobservable inputs when little or no market data is available and incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. The fair value hierarchy gives lowest priority to Level 3 inputs.

The classification of the Club's financial assets and liabilities carried at fair value into the three levels of the fair value hierarchy is described in Note 11.

- N. Certain line items in the September 30, 2008 financial statements have been reclassified to conform to the September 30, 2009 presentation.
- O. Management has evaluated events subsequent to the date of the statement of financial position through January 20, 2010, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through January 20, 2010 that would require adjustment or disclosure in the financial statements.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>	<u>Estimated Useful Lives</u>
Land and improvements	\$ 1,340,310	\$ 1,340,310	-
Buildings and improvements	41,459,223	37,954,364	10-20 years
Equipment and vehicles	3,125,008	3,128,448	5 years
Construction in progress (see below)	<u>-</u>	<u>543,210</u>	
 Total cost	 45,924,541	 42,966,332	
Less: accumulated depreciation	<u>(21,153,630)</u>	<u>(19,442,214)</u>	
 Net book value	 <u>\$ 24,770,911</u>	 <u>\$ 23,524,118</u>	

Depreciation expense amounted to \$1,733,093 and \$1,730,517 for the years ended September 30, 2009 and 2008, respectively. During the year ended September 30, 2009 the Club wrote off \$21,677 of fully depreciated assets.

Construction in progress as of September 30, 2008 was completed and added to buildings and improvements as of September 30, 2009.

NOTE 4 – INVESTMENTS

Investments consist of the following as of September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>	
Common stocks	\$ 17,430,793	\$ 21,107,009	
Mutual funds – fixed income	5,062,339	2,525,128	
International equity funds	8,513,860	11,219,660	
Cash and money funds	10,750,811	6,626,874	
Alternative investments:			
Private equity fund	1,289,394	1,433,244	A
Absolute return fund of funds:			
Low volatility	3,866,686	3,866,209	B
Hedge equity	<u>5,816,229</u>	<u>13,455,097</u>	C
	<u>\$ 52,730,112</u>	<u>\$ 60,233,221</u>	

- A. The private equity fund consists of the Club's investment with a limited partnership ("fund"). The fund primarily invests in closely held private limited partnerships for which no ready market exists. The underlying investments are valued in good faith by the general partners of those partnerships in the absence of readily determinable market values. Due to the inherent uncertainty of such valuations, those estimated values may differ significantly from the values that might have been used had a ready market for the investments existed, and the difference could be material.
- B. The low volatility fund consists of the Club's investment with a limited liability corporation with underlying investments in limited partnerships and investment companies. The underlying investments are valued at fair value based on the share in the net assets of the underlying limited partnerships and investment companies. Because of the inherent uncertainty of valuation of these investments, fair values of the investee partnerships and investment companies may differ from the values that would have been used had a ready market for these investments existed, and the difference could be material.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE 4 – INVESTMENTS (Continued)

C. The hedge equity investments consist of investments with global and offshore funds with underlying investments in private investment companies, fixed income, domestic and foreign publicly traded equity securities and derivative instruments primarily in global commodities markets. Investments in private investment companies are valued at fair value using the net assets valuations provided by underlying private investment companies. The fund managers value the underlying investments at fair value based on quoted market prices or broker dealer quotations. In the absence of quoted market prices or broker-dealer quotations, investments are valued at fair value as determined by the investment managers. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from the values that would have been realized had a ready market for these investments existed, and these differences could be material.

The Club's investment return spending policy is discretionary. During the years ended September 30, 2009 and 2008, the distribution for current spending amounted to 6% and 5%, respectively, of the fair value (net of investment advisory fees) of the Club's investment portfolio as of September 30, 2007 and 2006, respectively.

The components of investment return for the years ended September 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 527,638	\$ 818,270
Realized (loss) gain	(5,426,776)	313,475
Unrealized gain (loss)	3,209,678	(16,552,260)
Investment advisory fees	<u>(218,990)</u>	<u>(395,877)</u>
	(1,908,450)	(15,816,392)
Amount included in temporarily restricted	(146,287)	(228,426)
Amount appropriated for operations	<u>(4,705,000)</u>	<u>(4,131,000)</u>
Amount considered non-operating	<u>\$ (6,759,737)</u>	<u>\$ (20,175,818)</u>

Investments in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

NOTE 5 – PENSION PLANS

The Club has a defined contribution retirement pension plan ("403(b) plan") that operates under Section 403(b) of the Internal Revenue Code with all full-time employees' becoming eligible for the employer matching contribution of 3% on the first day of the month following the date of hire. Non full-time employees' become eligible for the 403(b) plan on the first day of the month following the completion of 12 consecutive month-periods in which the employee first completes at least 1,000 hours of service. The benefits are completely vested immediately when contributions are made. Beginning October 1, 2007, in addition to the matching contribution, Club makes a discretionary contribution ranging from 4% to 8% of the eligible employee salary based on the years of service. The Club suspended all employer contributions to the Plan for a period of 6 months effective April 1, 2009. Pension costs under the 403(b) plan aggregated approximately \$185,712 and \$376,737 for the years ended September 30, 2009 and 2008, respectively.

Additionally, the Club has a noncontributory defined benefit pension plan (the "Plan") covering eligible employees. The Club's funding policy is to contribute annually the amount necessary to satisfy Federal regulations. Contributions are intended to provide not only for benefits attributable for service to date but also for those expected to be earned in the future. Effective September 30, 2007, the Club amended the plan and curtailed all future benefits under the plan.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE 5 – PENSION PLANS (Continued)

The funded status of the Plan as of September 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Change in benefit obligation:		
Benefit obligation at beginning of the year	\$ 7,262,361	\$ 8,548,254
Interest cost	531,577	507,662
Actuarial loss/(gain)	1,953,492	(1,254,101)
Benefits paid	<u>(539,055)</u>	<u>(539,454)</u>
Benefit obligation at end of year	9,208,375	7,262,361
Fair value of plan assets	<u>5,280,659</u>	<u>5,628,687</u>
Funded status	\$ <u>(3,927,716)</u>	\$ <u>(1,633,674)</u>
Accrued pension benefit obligation recognized in the statements of financial position	\$ <u>(3,927,716)</u>	\$ <u>(1,633,674)</u>

The net periodic benefit obligations and the components of benefit cost for the years ended September 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Interest cost	\$ 531,577	\$ 507,662
Expected return on plan assets	(315,107)	(425,272)
Amortization of actuarial loss	<u>97,430</u>	<u>30,757</u>
Net periodic cost	\$ <u>313,900</u>	\$ <u>113,147</u>

The amounts recognized in the change in unrestricted net assets for the years ended September 30, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Pension related changes other than net periodic pension costs	\$ <u>(2,382,142)</u>	\$ <u>(723,179)</u>

Assumptions:

The weighted assumptions used as of and for the years ended September 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Benefit obligation:		
Discount rate	5.46%	7.59%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A
Net periodic pension cost:		
Discount rate	7.59%	6.22%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE 5 – PENSION PLANS (Continued)

The Club's pension plan weighted-average asset allocation at September 30, 2009 and 2008 by asset category is as follows:

	2009	2008
Asset category		
Cash	3%	6%
Fixed income	11%	11%
Equity	86%	83%

The long-term rate of return was developed by estimating the expected long-term real return for each asset class within the portfolio, computing an average weighted real rate of return for the portfolio as a whole, reflecting both the plan's expected asset class allocation and the correlations between the various asset classes, and adding that expected real rate of return to the expected long-term rate of inflation. The expected long-term rate of return reflects an expected real rate of return and an underlying inflation component per year.

The Club expects to contribute approximately \$282,000 to the pension plan in fiscal year 2010. The projected benefit payments are as follows:

Year ending September 30:	
2010	\$ 545,000
2011	533,000
2012	518,000
2013	529,000
2014	527,000
Next 5 years	<u>3,054,000</u>
	<u>\$ 5,706,000</u>

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are recorded net of a discount (at a risk-free rate) to reflect the present value of future cash flows and are scheduled to be collected as follows as of September 30, 2009 and 2008:

	2009	2008
One year or less	\$ 2,977,093	\$ 4,413,163
One year to five years	<u>4,540,180</u>	<u>7,638,329</u>
	7,517,273	12,051,492
Less allowance for doubtful accounts	(230,000)	-
Less present value discount, rates ranging from 3.125% to 4.5%	<u>(268,743)</u>	<u>(450,724)</u>
	<u>\$ 7,018,530</u>	<u>\$ 11,600,768</u>

For the year ended September 30, 2008, the Club received a conditional pledge in the amount of up to \$5 million restricted for the Fund for 21st Century Campaign. This is a challenge grant to be matched dollar for dollar over a 5 year period once the funds raised for the Fund for 21st Century Campaign reach a \$40 million threshold. For the years ended September 30, 2009 and 2008, the Club met the conditions and recorded \$0 and \$1 million, respectively, in revenue as earned in the accompanying statements of activities.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE 6 – CONTRIBUTIONS RECEIVABLE (Continued)

For the year ended September 30, 2007, the Club received a conditional pledge in the amount of up to \$5 million restricted for the Fund for 21st Century Campaign. The condition of this pledge requires the Club to obtain gifts toward the Fund for 21st Century Campaign from the time that this pledge was made until 2012 and the donor will match it dollar for dollar up to the amount of \$5 million. For the years ended September 30, 2009 and 2008, the Club received gifts from various donors totaling \$550,000 and \$1,125,000, respectively, for the Fund for 21st Century Campaign and recorded a matching gift as contributions revenue in the accompanying statements of activities.

NOTE 7 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2009 and 2008 are restricted by donors for the following purposes or periods:

	<u>2009</u>	<u>2008</u>
Purpose restricted:		
Clubhouses- social, cultural, health and physical development	\$ 118,343	\$ 89,646
Educational	-	102,811
Time and purpose restricted	<u>7,102,613</u>	<u>11,212,750</u>
	<u>\$ 7,220,956</u>	<u>\$ 11,405,207</u>

Permanently restricted net assets consist of endowment gifts from donors with income to be used for unrestricted purposes with respect to approximately \$16.2 million of endowment net assets and for donor-specified purposes (interest and dividends only), principally educational, scholarship, music and arts with respect to approximately \$15.2 million of endowment net assets as of September 30, 2009 and 2008. During the year ended September 30, 2009, the Club transferred \$3,548,746 of permanently restricted net assets to unrestricted net assets with the permission of the donors.

GAAP provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is not yet subject to the Uniform Prudent Management of Funds Act ("UPMIFA"). The guidance also improves disclosure about the organizations endowment funds, whether or not the organization is subject to UPMIFA.

The Board of Directors of the Club has interpreted New York State nonprofit law as requiring the preservation of the historical dollar value of the original donor restricted endowment gift as of the gift date, absent explicit donor stipulations to the contrary. See Note 2B for how the Club maintains its net assets.

Changes in endowment net assets for year ended September 30, 2009 follows:

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment Activity:				
Interest and dividends	\$ 337,438	\$ 185,355	\$ -	\$ 522,793
Realized and unrealized losses	<u>(1,441,114)</u>	<u>(775,984)</u>	<u>-</u>	<u>(2,217,098)</u>
Total investment activity	(1,103,676)	(590,629)	-	(1,694,305)
Contributions	-	-	37,075	37,075
Other transfers	3,548,746	-	(3,548,746)	-
Amount appropriated for operations	<u>(4,519,645)</u>	<u>(185,355)</u>	<u>-</u>	<u>(4,705,000)</u>
Total change	(2,074,575)	(775,984)	(3,511,671)	(6,362,230)
Balance, beginning of year	<u>4,236,462</u>	<u>18,178,913</u>	<u>34,915,132</u>	<u>57,330,507</u>
Balance, end of year	<u>\$ (2,161,887)</u>	<u>\$ 17,402,929</u>	<u>\$ 31,403,461</u>	<u>\$ 50,968,277</u>

Permanently restricted endowment net assets of \$31,403,461 are included with investments on the statements of financial position for the year ended September 30, 2009.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE 7 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Club to retain as a fund of perpetual duration. In accordance with the Club's policy noted at Note 2B, deficiencies of this nature are reported in either temporarily restricted or unrestricted net assets. There were no such deficiencies as of September 30, 2009.

NOTE 8 – BANK LINE OF CREDIT

The Club has a \$7.5 million line of credit with a bank with a maturity date of January 31, 2010. Under the terms of the agreement, borrowings will bear interest at a rate equal to the London InterBank offered rate plus 2.0% per annum and an unused commitment fee of 0.175% per annum on the average daily unused amount of the line of credit. The Club is also required to maintain at least \$10 million in unrestricted net assets. At September 30, 2009 and 2008, no amounts were outstanding under this agreement. There were no borrowings as of January 20, 2010.

NOTE 9 – ASSET RETIREMENT OBLIGATION

In March 2005, the FASB issued Interpretation No. 47 (FIN 47)(ASC 410-20), *Accounting for Conditional Asset Retirement Obligations*. This Interpretation clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Under FIN 47, costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued. The Club identified asbestos abatement as a conditional asset retirement obligation and computes the present value of remediation costs to be a liability. As of September 30, 2009 and 2008, the Club determined that an accretion was necessary for this obligation of \$30,873 and \$30,000, respectively. In 2008, the Club reduced the obligation by \$177,187 due to renovations and improvements made during the year.

NOTE 10 – CONCENTRATIONS

- A. Cash accounts that potentially subject the Club to a concentration of credit risk include cash accounts with banks that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Effective October 3, 2008, the basic limit on federal deposit insurance coverage for interest bearing accounts was increased from \$100,000 to \$250,000 until December 31, 2013 and is unlimited for non-interest bearing accounts until June 30, 2010, for participating banks. On January 1, 2014, the standard insurance amount will return to \$100,000 per depositor for all account categories except for IRAs and other certain retirement accounts which will remain at \$250,000 per depositor. As of September 30, 2009 and 2008, the Club had cash accounts that exceeded the FDIC insurance limits by approximately \$0 and \$93,000, respectively. In addition, the Club has cash held in money market funds that were not insured which amounted to approximately \$1.1 million and \$6.6 million as of September 30, 2009 and 2008, respectively.
- B. For the year ended September 30, 2009, a single donor contributed \$1.1 million to the Club. The contribution amounted to approximately 34% of total contributions and approximately 21% of total revenue (excluding investment activity) for the year ended September 30, 2009.

For the year ended September 30, 2008, a single donor contributed \$4,000,000 to the Club. Such promise to give was recorded net of a discount to present value and the net contribution amounted to approximately 46% of total contributions and approximately 25% of total revenue (excluding investment activity) for the year ended September 30, 2008. As of September 30, 2009 and 2008, the net amount receivable associated with this contribution amounted to approximately 44% and 34%, respectively.

As of September 30, 2009 and 2008, two major contributions receivable constitute 68% and 70%, respectively of total net contributions receivable.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

NOTE 11 – FAIR VALUE MEASUREMENTS

Financial assets and liabilities carried at fair value at September 30, 2009 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE				
Investments:				
Common Stocks	\$ 17,430,793	\$ 17,430,793	\$ -	\$ 17,430,793
Mutual Funds – fixed Income	5,062,339	5,062,339	-	5,062,339
International equity funds	8,513,860	8,513,860	-	8,513,860
Cash and money funds	10,750,811	10,750,811	-	10,750,811
Private equity fund	-	-	1,289,394	1,289,394
Alternative investments:				
Low volatility	-	-	3,866,686	3,866,686
Hedge equity	-	-	5,816,229	5,816,229
TOTAL ASSETS AT FAIR VALUE	<u>\$ 41,757,803</u>	<u>\$ 41,757,803</u>	<u>\$ 10,972,309</u>	<u>\$ 52,730,112</u>
LIABILITIES CARRIED AT FAIR VALUE				
Accrued pension benefit obligation	\$ -	\$ 3,927,716	\$ -	\$ 3,927,716
TOTAL LIABILITIES AT FAIR VALUE	<u>\$ -</u>	<u>\$ 3,927,716</u>	<u>\$ -</u>	<u>\$ 3,927,716</u>

The reconciliation for the year ended September 30, 2009 of the alternative investments measured at estimated fair value classified as Level 3 is as follows:

Balance at October 1, 2008	\$ 18,754,550
Redemptions	(7,988,724)
Interest and dividends	10,416
Unrealized and realized gain	<u>196,067</u>
Balance at September 30, 2009	<u>\$ 10,972,309</u>