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Financial Statements
(Together with Independent Auditors' Report)

Years Ended September 30, 2010 and 2009

THE BOYS' CLUB OF NEW YORK

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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, 2011



**THE BOYS' CLUB OF NEW YORK
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents (Note 2D)	\$ 61,903	\$ 137,816
Contributions receivable, net (Notes 2F, 6 and 10B)	9,097,705	7,018,530
Prepaid expenses and other assets	406,656	618,554
Investments (Notes 2E, 2M, 4, 10A and 11)	56,468,819	52,730,112
Property and equipment, net (Notes 2G and 3)	<u>23,469,032</u>	<u>24,770,911</u>
TOTAL ASSETS	<u>\$ 89,504,115</u>	<u>\$ 85,275,923</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 349,814	\$ 641,512
Deferred revenue (Note 2H)	765,168	191,750
Accrued pension benefit obligation (Note 5)	4,728,288	3,927,716
Asset retirement obligation (Note 9)	<u>1,078,927</u>	<u>1,059,985</u>
TOTAL LIABILITIES	<u>6,922,197</u>	<u>5,820,963</u>
COMMITMENT (Note 8)		
NET ASSETS (Note 2B)		
Unrestricted		
Designated for operations (Note 7)	23,286,470	17,119,617
Net investment in property and equipment	<u>22,390,105</u>	<u>23,710,926</u>
Total unrestricted	45,676,575	40,830,543
Temporarily restricted (Note 7)	10,881,519	7,220,956
Permanently restricted (Note 7)	<u>26,023,824</u>	<u>31,403,461</u>
TOTAL NET ASSETS	<u>82,581,918</u>	<u>79,454,960</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 89,504,115</u>	<u>\$ 85,275,923</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, 2010 AND 2009**

	Year Ended September 30, 2010			Year Ended September 30, 2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009
OPERATING REVENUE AND SUPPORT:								
Contributions (Notes 2B, 2C, 6 and 10B)	\$ 1,609,205	\$ 9,001,224	\$ -	\$ 10,610,429	\$ 892,687	\$ 1,730,092	\$ -	\$ 2,622,779
Special events (net of direct expenses of \$540,981 and \$805,500 for 2010 and 2009, respectively)	1,449,890	-	-	1,449,890	1,751,723	-	-	1,751,723
Investment return (Notes 2B, 2J and 4)	3,300,000	197,050	-	3,497,050	4,705,000	146,287	-	4,851,287
Food program, program fees and other	618,870	-	-	618,870	354,630	-	-	354,630
Net assets released from restrictions (Note 2B)	5,537,711	(5,537,711)	-	-	6,310,630	(6,310,630)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	12,515,676	3,660,563	-	16,176,239	14,014,670	(4,434,251)	-	9,580,419
OPERATING EXPENSES (Notes 2I and 2J):								
Program Services:								
Clubhouse activities	6,656,871	-	-	6,656,871	7,080,604	-	-	7,080,604
Camping	1,424,030	-	-	1,424,030	991,375	-	-	991,375
Health services	19,425	-	-	19,425	7,614	-	-	7,614
Physical education	509,951	-	-	509,951	494,065	-	-	494,065
Educational services	2,174,355	-	-	2,174,355	2,333,505	-	-	2,333,505
Food program and other	325,592	-	-	325,592	308,261	-	-	308,261
Total Program Services	11,110,224	-	-	11,110,224	11,215,424	-	-	11,215,424
Supporting Services:								
Management and general	1,216,342	-	-	1,216,342	1,605,380	-	-	1,605,380
Fund raising	1,294,361	-	-	1,294,361	1,193,714	-	-	1,193,714
Total Supporting Services	2,510,703	-	-	2,510,703	2,799,094	-	-	2,799,094
TOTAL OPERATING EXPENSES	13,620,927	-	-	13,620,927	14,014,518	-	-	14,014,518
EXCESS (DEFICIT) OF OPERATING REVENUE AND SUPPORT OVER OPERATING EXPENSES	(1,105,251)	3,660,563	-	2,555,312	152	(4,434,251)	-	(4,434,099)
NON-OPERATING ACTIVITIES (Note 2J):								
Investment return in excess of amount appropriated for operations (Note 4)	1,106,583	-	-	1,106,583	(6,759,737)	-	-	(6,759,737)
Endowment contributions (Note 2B)	-	-	120,363	120,363	-	-	37,075	37,075
Bequests (Note 2K)	-	-	-	-	394,412	250,000	-	644,412
TOTAL NON-OPERATING ACTIVITIES	1,106,583	-	120,363	1,226,946	(6,365,325)	250,000	37,075	(6,078,250)
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES AND OTHER ITEMS	1,332	3,660,563	120,363	3,782,258	(6,365,173)	(4,184,251)	37,075	(10,512,349)
Pension related changes other than net periodic pension costs (Note 5)	(623,875)	-	-	(623,875)	(2,382,142)	-	-	(2,382,142)
Increase in asset retirement obligation (Note 9)	(31,425)	-	-	(31,425)	(30,873)	-	-	(30,873)
Other transfers (Note 7)	5,500,000	-	(5,500,000)	-	3,548,746	-	(3,548,746)	-
CHANGE IN TOTAL NET ASSETS	4,846,032	3,660,563	(5,379,637)	3,126,958	(5,229,442)	(4,184,251)	(3,511,671)	(12,925,364)
Net assets - beginning 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
NET ASSETS - END OF YEAR	\$ 45,676,575	\$ 10,881,519	\$ 26,023,824	\$ 82,581,918	\$ 40,830,543	\$ 7,220,956	\$ 31,403,461	\$ 79,454,960

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, 2010 AND 2009**

	Year Ended September 30, 2010				Year Ended September 30, 2009				
	Program Services	Management & General	Fund-raising	Total Supporting Services	Program Services	Management & General	Fund-raising	Total Supporting Services	
Personnel service costs	\$ 4,948,660	\$ 488,008	\$ 864,035	\$ 1,352,043	\$ 5,314,732	\$ 607,485	\$ 745,947	\$ 1,353,432	\$ 6,668,164
Payroll taxes and benefits (Note 5)	1,596,257	151,046	287,529	438,575	1,549,182	173,000	216,921	389,921	1,939,103
Utilities	478,263	6,667	2,222	8,889	414,631	5,317	1,772	7,089	421,720
Professional fees	12,359	180,970	671	181,641	29,261	190,774	43,489	234,263	263,524
Repairs, maintenance and equipment	343,253	5,695	3,696	9,391	344,164	5,600	9,530	15,130	359,294
Insurance	379,345	89,769	24,690	114,459	424,238	96,878	26,425	123,303	547,541
Printing and publications	29,183	9,053	6,701	15,754	3,066	35,925	9,480	45,405	48,471
Information technology	122,292	27,773	15,851	43,624	52,976	25,228	21,018	46,246	99,222
Travel and transportation	177,103	8,737	1,308	10,045	88,817	9,457	3,783	13,240	102,057
Telephone and telecommunications	82,365	19,415	7,020	26,435	73,249	20,064	7,141	27,225	100,474
Office/program supplies, etc.	715,019	116,290	54,259	170,549	620,782	158,258	83,263	241,521	862,303
Tuition assistance	275,756	-	-	-	365,527	-	-	-	365,527
Food	313,835	-	-	-	274,025	-	-	-	274,025
Bad debt	-	72,000	-	72,000	-	230,000	-	230,000	230,000
Depreciation	1,636,534	40,919	26,379	67,298	1,660,774	47,374	24,945	72,319	1,733,093
TOTAL EXPENSES	\$ 11,110,224	\$ 1,216,342	\$ 1,294,361	\$ 2,510,703	\$ 11,215,424	\$ 1,605,380	\$ 1,193,714	\$ 2,799,094	\$ 14,014,518

**THE BOYS' CLUB OF NEW YORK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,126,958	\$ (12,925,364)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	1,703,832	1,733,093
Bad debt	72,000	230,000
Pension related changes other than net periodic pension costs	623,875	2,382,142
Change in discount on contributions receivable	(71,882)	(181,981)
Increase in asset retirement obligation	31,425	30,873
Gain on sale of property and equipment	(2,418)	-
Net realized and unrealized (gain) loss on investments	(4,219,223)	2,217,098
Permanently restricted contributions	(120,363)	(37,075)
Sub-total	1,144,204	(6,551,214)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(2,079,293)	4,534,219
Prepaid expenses and other assets	211,898	(339,054)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(291,698)	268,091
Deferred revenues	573,418	(259,812)
Asset retirement obligation	(12,483)	-
Accrued pension benefit obligation	176,697	(88,100)
Net Cash Used by Operating Activities	(277,257)	(2,435,870)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(24,004,937)	(21,873,791)
Proceeds from sales of investments	24,485,453	27,159,802
Proceeds from sales of property and equipment	9,500	-
Purchases of property and equipment	(409,035)	(2,979,886)
Net Cash Provided by Investing Activities	80,981	2,306,125
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions	120,363	37,075
Net Cash Provided by Financing Activities	120,363	37,075
NET DECREASE IN CASH AND CASH EQUIVALENTS	(75,913)	(92,670)
Cash and cash equivalents - beginning of year	137,816	230,486
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 61,903	\$ 137,816

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

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 134 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 and investment in property and equipment. 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 for 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, 2010 AND 2009**

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. 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, 2010 and 2009, the Club determined that an allowance for doubtful accounts of \$70,000 and \$230,000, 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 is 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 U.S. GAAP 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. Fair value measurements are based on 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 order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 11.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Club has adopted Accounting Standards Update No. 2009-12, Fair Value Measurements and Disclosure, "Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)" (Topic 820-10) ("ASU No. 2009-12"), issued by the Financial Accounting Standards board ("FASB") in September 2009, for investments which will be redeemed with the investee at net asset value ("NAV") per share. Such investments have been categorized under Level 2 fair value measurements, as defined in Note 11, in accordance with ASU No. 2009-12.

- N. Effective October 1, 2009, the Club adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainties in Income Taxes – an Interpretation of FASB Statement no. 109," now incorporated in ASC 740, which provide standards for establishing and classifying any tax provisions for uncertain tax positions. The adoption of FIN 48 did not have an effect on the Club's financial position as of October 1, 2009 or the Club's results of operations and cash flows for the year ended September 30, 2010. The Club is no longer subject to federal or state and local income tax examinations by tax authorities for years before 2006.
- O. Management has evaluated events subsequent to the date of the statement of financial position through January 20, 2011, 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, 2011 that would require adjustment or disclosure in the financial statements.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>	<u>Estimated Useful Lives</u>
Land and improvements	\$ 1,340,310	\$ 1,340,310	-
Buildings and improvements	41,655,499	41,459,223	10-20 years
Equipment and vehicles	3,072,596	3,125,008	5 years
Construction in progress (see below)	<u>212,759</u>	<u>-</u>	
 Total cost	 46,281,164	 45,924,541	
Less: accumulated depreciation	<u>(22,812,132)</u>	<u>(21,153,630)</u>	
 Net book value	 <u>\$ 23,469,032</u>	 <u>\$ 24,770,911</u>	

Depreciation expense amounted to \$1,703,832 and \$1,733,093 for the years ended September 30, 2010 and 2009, respectively. For the year ended September 30, 2010, the Club wrote off \$45,330 of accumulated depreciation for two vehicles sold.

Construction in progress as of September 30, 2010 consists of the construction of two pools for the Camp Cromwell location. The project is expected to be completed by May 2011 with an estimated cost of approximately \$490,000.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 4 – INVESTMENTS

Investments consist of the following as of September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>	
Common stocks	\$ 21,113,792	\$ 17,430,793	
Mutual funds – fixed income	4,741,408	5,062,339	
International equity funds	11,485,012	8,513,860	
Cash and money funds	9,176,414	10,750,811	
Government bonds	2,726,676	-	
Alternative investments:			
Private equity fund	1,323,729	1,289,394	A
Absolute return fund of funds:			
Low volatility	-	3,866,686	B
Hedge equity	<u>5,901,788</u>	<u>5,816,229</u>	C
	<u>\$ 56,468,819</u>	<u>\$ 52,730,112</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 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.
- 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, 2010 and 2009, the distribution for current spending amounted to 6% of the fair value (net of investment advisory fees) of the Club's investment portfolio as of September 30, 2009 and 2008, respectively.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 4 – INVESTMENTS (Continued)

The components of investment return for the years ended September 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 644,509	\$ 527,638
Realized gain (loss)	1,631,591	(5,426,776)
Unrealized gain	2,587,632	3,209,678
Investment advisory fees	<u>(260,099)</u>	<u>(218,990)</u>
	4,603,633	(1,908,450)
Amount included in temporarily restricted	(197,050)	(146,287)
Amount appropriated for operations	<u>(3,300,000)</u>	<u>(4,705,000)</u>
Amount considered non-operating	<u>\$ 1,106,583</u>	<u>\$ (6,759,737)</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, the Club makes a discretionary contribution ranging from 2% to 6% of the eligible employee salary based on their years of service. The Club suspended the 3% matching contribution for the year ended September 30, 2010. Pension costs under the 403(b) plan aggregated to approximately \$143,550 and \$185,712 for the years ended September 30, 2010 and 2009, respectively.

Additionally, the Club has an employee 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 funded status of the Plan as of September 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Change in benefit obligation:		
Benefit obligation at beginning of the year	\$ 9,208,375	\$ 7,262,361
Interest cost	487,326	531,577
Actuarial loss	987,101	1,953,492
Benefits paid	<u>(523,362)</u>	<u>(539,055)</u>
Benefit obligation at end of year	10,159,440	9,208,375
Fair value of plan assets	<u>5,431,152</u>	<u>5,280,659</u>
Funded status	<u>\$ (4,728,288)</u>	<u>\$ (3,927,716)</u>
Accrued pension benefit obligation recognized in the statements of financial position	<u>\$ (4,728,288)</u>	<u>\$ (3,927,716)</u>

THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 5 – PENSION PLANS (Continued)

The net periodic benefit obligations and the components of benefit cost for the years ended September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Interest cost	\$ 487,326	\$ 531,577
Expected return on plan assets	(279,704)	(315,107)
Amortization of actuarial loss	<u>251,075</u>	<u>97,430</u>
Net periodic cost	<u>\$ 458,697</u>	<u>\$ 313,900</u>

The amounts recognized in the change in unrestricted net assets for the years ended September 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Net loss	\$ 874,950	\$ 2,479,572
Recognition of amortization of actuarial loss	<u>(251,075)</u>	<u>(97,430)</u>
	<u>\$ (623,875)</u>	<u>\$ (2,382,142)</u>

Employee census data as of October 1, 2009 and 2008 was projected forward to the September 30, 2010 and 2009, measurement dates, respectively. The accumulated benefit obligation amounted to \$10,159,440 and \$9,208,375 as of September 30, 2010 and 2009, respectively.

Assumptions:

The weighted assumptions used as of and for the years ended September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Benefit obligation:		
Discount rate	4.87%	5.46%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A
Net periodic pension cost:		
Discount rate	5.46%	7.59%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

The Club's pension plan weighted-average asset allocation at September 30, 2010 and 2009 by asset category is as follows:

	<u>2010</u>	<u>2009</u>
Asset category		
Cash	6%	6%
Fixed income	16%	11%
Equity	78%	86%

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 BOYS' CLUB OF NEW YORK
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SEPTEMBER 30, 2010 AND 2009**

NOTE 5 – PENSION PLANS (Continued)

The Club expects to contribute approximately \$322,500 to the pension plan during the year ended September 30, 2011. The projected benefit payments are as follows:

Year ending September 30:		
2011	\$	535,000
2012		521,000
2013		534,000
2014		533,000
2015		544,000
Next 5 years		<u>3,216,000</u>
	\$	<u>5,883,000</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, 2010 and 2009:

	2010	2009
One year or less	\$ 4,521,800	\$ 2,977,093
One year to five years	<u>4,842,766</u>	<u>4,540,180</u>
	9,364,566	7,517,273
Less allowance for doubtful accounts	(70,000)	(230,000)
Less present value discount, rates ranging from 3.125% to 4.5%	<u>(196,861)</u>	<u>(268,743)</u>
	<u>\$ 9,097,705</u>	<u>\$ 7,018,530</u>

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, 2010 and 2009, the Club received gifts from various donors totaling \$1,175,000 and \$550,000, respectively, for the Fund for 21st Century Campaign and recorded a matching gift as contributions revenue in the accompanying statements of activities. As of September 30, 2010 and 2009, the contribution receivable for this conditional grant amounted to \$4,300,000 and \$3,125,000, respectively.

NOTE 7 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2010 and 2009 are restricted by donors for the following purposes or periods:

	2010	2009
Clubhouses- social, cultural, health and physical development	\$ 424,329	\$ 118,343
Time and purpose restricted	<u>10,457,190</u>	<u>7,102,613</u>
	<u>\$ 10,881,519</u>	<u>\$ 7,220,956</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 \$9.8 million of endowment net assets as of September 30, 2010. During the years ended September 30, 2010 and 2009, the Club transferred \$5,500,000 and \$3,548,746, respectively of permanently restricted net assets to unrestricted net assets with the permission of the donors.

THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

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

U.S. 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. New York State enacted a version of UPMIFA on September 17, 2010. This law is commonly referred to as “NYPMIFA” (New York Prudent Management Institutional Funds Act).

The Board of Directors of the Club has interpreted New York State nonprofit law (UMIFA prior to September 17, 2010 and NYPMIFA thereafter) as requiring the preservation of the historic dollar value of the original donor restricted endowment gift as of the gift date, absent explicit donor stipulations to the contrary. The Board has appropriated for expenditure all earnings on pre September 17, 2010 permanently restricted funds. See Note 2B for how the Club maintains its net assets.

Changes in endowment net assets for year ended September 30, 2010 follows:

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total 2010</u>
Investment Activity:				
Interest and dividends	\$ 408,584	\$ -	\$ -	\$ 408,584
Realized and unrealized gains	<u>2,742,494</u>	<u>-</u>	<u>-</u>	<u>2,742,494</u>
Total investment activity	3,151,078	-	-	3,151,078
Contributions	-	-	120,363	120,363
Other transfers and releases	22,902,929	(17,402,929)	(5,500,000)	-
Amount appropriated for operations	<u>(3,300,000)</u>	<u>-</u>	<u>-</u>	<u>(3,300,000)</u>
Total change	22,754,007	(17,402,929)	(5,379,637)	(28,559)
Balance, beginning of year	<u>2,161,887</u>	<u>17,402,929</u>	<u>31,403,461</u>	<u>50,968,277</u>
Balance, end of year	<u>\$ 24,915,894</u>	<u>\$ -</u>	<u>\$ 26,023,824</u>	<u>\$ 50,939,718</u>

Permanently restricted endowment net assets of \$26,023,824 are included with investments in the statements of financial position as of September 30, 2010.

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 2009</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 in the statements of financial position as of September 30, 2009.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

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, 2010 and 2009.

NOTE 8 – BANK LINE OF CREDIT

The Club had a bank line of credit of \$7.5 million that matured on January 31, 2010. Under the terms of the agreement, borrowings 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 was also required to maintain at least \$10 million in unrestricted net assets. As of September 30, 2009, no amounts were outstanding under this agreement. As of September 30, 2010, the Club does not have a line of credit.

NOTE 9 – ASSET RETIREMENT OBLIGATION

In March 2005, the FASB issued Interpretation No. 47 (FIN 47), *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, 2010 and 2009, the Club determined that an accretion was necessary for this obligation of \$31,425 and \$30,873, respectively. For the year ended September 30, 2010, the Club reduced the obligation by \$12,483 due to improvements made during the year.

NOTE 10 – CONCENTRATIONS

- A. Cash accounts (embedded within investments) that potentially subject the Club to a concentration of credit risk include cash and money market accounts with banks that are not insured by the Federal Deposit Insurance Corporation ("FDIC") amounting to approximately \$9.2 million and \$10.7 million as of September 30, 2010 and 2009, respectively.
- B. For the year ended September 30, 2010, a single donor contributed \$5 million to the Club. The contribution amounted to approximately 46% of total contributions and approximately 31% of total revenue (excluding investment activity) for the year ended September 30, 2010. 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, 2010. As of September 30, 2010 and 2009, two major contributions receivable constitute 70% and 68%, respectively of total net contributions receivable.

NOTE 11 – FAIR VALUE MEASUREMENTS

In determining fair value, the Club utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; 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 based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Financial assets and liabilities carried at fair value at September 30, 2010 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2010</u>
ASSETS CARRIED AT FAIR VALUE				
Investments:				
Common Stocks	\$ 21,113,792	\$ -	\$ -	\$ 21,113,792
Mutual Funds – fixed Income	4,741,408	-	-	4,741,408
International equity funds	11,485,012	-	-	11,485,012
Cash and money funds	9,176,414	-	-	9,176,414
Government bonds	-	2,726,676	-	2,726,676
Private equity fund	-	-	1,323,729	1,323,729
Alternative investments:	-	-	-	-
Hedge equity	-	5,643,493	258,295	5,901,788
TOTAL ASSETS AT FAIR VALUE	<u>\$ 46,516,626</u>	<u>\$ 8,370,169</u>	<u>\$ 1,582,024</u>	<u>\$ 56,468,819</u>

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 2009</u>
ASSETS CARRIED AT FAIR VALUE				
Investments:				
Common Stocks	\$ 17,430,793	\$ -	\$ -	\$ 17,430,793
Mutual Funds – fixed Income	5,062,339	-	-	5,062,339
International equity funds	8,513,860	-	-	8,513,860
Cash and money funds	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>\$ -</u>	<u>\$ 10,972,309</u>	<u>\$ 52,730,112</u>

Investments in common stocks, mutual funds, equity funds, and cash and money funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Government bonds are valued using quoted prices in inactive markets. Certain investments in alternative investments are valued at the NAV, as reported by the investment managers, of shares or units held by the Club at year end. Such investments are categorized under Level 2 for the year ended September 30, 2010 in accordance with ASU No. 2009-12 (see Note 2M). Investments in private equity funds and alternative investments not readily redeemable at NAV are designated as Level 3 since the valuations for such investments are based on unobservable inputs. These valuations are not meant to be indicative of the classification of the investments in the underlying portfolio of the investment in alternative investments.

**THE BOYS' CLUB OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

The reconciliation for the year ended September 30, 2010 and 2009 of Level 3 investments measured at estimated fair value is as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 10,972,309	\$ 18,754,550
Transfers out of Level 3 due to adoption of ASU 2009-12	(5,681,526)	-
Redemptions	(4,222,202)	(7,988,724)
Interest and dividends	95,653	10,416
Unrealized and realized gain	<u>417,790</u>	<u>196,067</u>
Balance, end of year	<u>\$ 1,582,024</u>	<u>\$ 10,972,309</u>