

**BOYS & GIRLS  
CLUB OF HARLEM, INC.**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**DECEMBER 31, 2014**

# **BOYS & GIRLS CLUB OF HARLEM, INC.**

## **TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 – 10
 <u>Compliance and Internal Accounting Control Section</u>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	11 - 12



**Rosemarie M. Lewis LLC**  
**Certified Public Accountant**

125 West 109th Street, Suite 11 C • New York, NY 10025

Tel: (631) 338-9390 • Fax: (646) 596-9322

Email: [rmbwood@aol.com](mailto:rmbwood@aol.com)

**Independent Auditor's Report**

To the Board of Directors of  
BOYS & GIRLS CLUB OF HARLEM, INC.

***Report on the Financial Statements***

We have audited the accompanying financial statements of BOYS & GIRLS CLUB OF HARLEM, INC. which comprise the statement of financial position as of December 31, 2014 and the related statements of activities, cash flows, and functional expenses 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 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 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 auditors' 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 BOYS & GIRLS CLUB OF HARLEM, INC. as of December 31, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

The prior year December 31, 2013 financial statements were audited by other auditors whose report dated August 27, 2014 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015, on our consideration of BOYS & GIRLS CLUB OF HARLEM, INC.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, appearing to read "R. Lewis".

August 31, 2015

BOYS & GIRLS CLUB OF HARLEM, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2014 and 2013

<b>ASSETS</b>	<b>2014</b>	2013
Cash	<b>\$ 681,866</b>	\$ 61,139
Investments, at market	<b>3,255,172</b>	-
Due from Developer	<b>250,000</b>	-
Fixed assets, net	-	394,712
Total assets	<b><u>\$ 4,187,038</u></b>	<b><u>\$ 455,851</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable & accrued expenses	<b>\$ 2,281</b>	\$ 125
Due to Investment Brokerage Firm	<b>250,602</b>	-
Loans payable	-	100,000
Total liabilities	<b><u>252,883</u></b>	<u>100,125</u>
 <b>Net assets, Unrestricted</b>	 <b><u>3,934,155</u></b>	 <u>355,726</u>
Total liabilities and net assets	<b><u>\$ 4,187,038</u></b>	<b><u>\$ 455,851</u></b>

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

BOYS & GIRLS CLUB OF HARLEM, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014  
(with summarized financial information for December 31, 2013)

	<u>2014</u>	<u>2013</u>
<b>Revenues and Other Support</b>		
Grants revenue	\$ 47,212	\$ 55,881
Contributions	58,483	20,152
Foundations and Corporations	43,772	47,500
Gain on sale of fixed assets	3,705,288	-
Earnings from investments	5,885	-
Interest income	2,446	104
Program fees	95,283	91,977
Fundraising income	30,670	131,860
Total revenues and other support	<u>3,989,039</u>	<u>347,474</u>
<b>Expenses</b>		
Program services	<u>265,117</u>	<u>374,360</u>
<b>Support Services:</b>		
Management and General	107,192	37,191
Fundraising	38,301	11,200
Total support services	<u>145,493</u>	<u>48,391</u>
Total expenses	<u>410,610</u>	<u>422,751</u>
<b>Change in Operating Net Assets</b>	3,578,429	(75,277)
Loss due to return of property	<u>-</u>	<u>(102,300)</u>
<b>Change in Net Assets</b>	3,578,429	(177,577)
Net Assets - Beginning of year	<u>355,726</u>	<u>533,303</u>
<b>Net Assets - End of year</b>	<u><u>\$ 3,934,155</u></u>	<u><u>\$ 355,726</u></u>

The accompanying notes are an integral part of these financial statements

BOYS & GIRLS CLUB OF HARLEM, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(with summarized financial information for December 31, 2013)

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 3,578,429	\$ (177,577)
Loss due to return of property	-	102,300
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Earnings from investment portfolio	(5,885)	-
<b>Change in operating assets and liabilities</b>		
Decrease in Grant receivable	-	13,767
Increase in Due from Developer	(250,000)	-
Increase (Decrease) in Accounts payable and accrued expenses	2,156	(2,657)
Net cash provided (used) by operating activities	<u>3,324,700</u>	<u>(64,167)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(3,249,287)	
Sale of fixed assets	394,712	
Due to Investment Brokerage Firm	250,602	-
Net cash used by financing activities	<u>(2,603,973)</u>	<u>-</u>
<b>Cash Flows from Financing Activities</b>		
Principal payments on loan payable	(100,000)	(24,928)
Net cash used by financing activities	<u>(100,000)</u>	<u>(24,928)</u>
<b>Net change in cash</b>	<b>620,727</b>	<b>(89,095)</b>
Cash - beginning of year	<u>61,139</u>	<u>150,234</u>
<b>Cash - end of year</b>	<u><u>\$ 681,866</u></u>	<u><u>\$ 61,139</u></u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	<u><u>\$ 106</u></u>	<u><u>\$ 2,398</u></u>

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

BOYS & GIRLS CLUB OF HARLEM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2014  
(with summarized financial information for December 31,2013)

	<b>Program Services</b>	<b>Support Services</b>			<b>2014 Total expenses</b>	<b>2013 Total expenses</b>
		<b>Fund- raising</b>	<b>Management &amp; General</b>	<b>Total Supporting expenses</b>		
<b>Personnel Services</b>						
Salaries	\$ 175,593	\$ 4,231	\$ 31,733	\$ 35,964	\$ 211,557	\$ 234,658
Payroll taxes	13,440	324	2,429	2,753	16,193	17,951
Fringe benefits	12,704	306	2,296	2,602	15,306	15,314
Total personnel services	<u>201,737</u>	<u>4,861</u>	<u>36,458</u>	<u>41,319</u>	<u>243,056</u>	<u>267,923</u>
<b>Other Than Personnel Services</b>						
Professional fees	18,189	33,440	9,110	42,550	60,739	62,025
Legal fees	-	-	13,155	13,155	13,155	-
Closing fees	-	-	40,000	40,000	40,000	31,355
Dues and permit	5,284	-	860	860	6,144	5,109
Telephone	2,604	-	460	460	3,064	3,036
Consumable supplies	3,487	-	615	615	4,102	19,886
Educational materials	4,803	-	-	-	4,803	2,159
Travel	4,722	-	-	-	4,722	3,143
Food	7,021	-	-	-	7,021	12,167
Bank charges	-	-	4,721	4,721	4,721	1,181
Leases	1,581	-	279	279	1,860	788
Utilities	-	-	-	-	-	348
Insurance	6,737	-	1,078	1,078	7,815	3,188
Payroll processing fees	1,988	-	350	350	2,338	2,106
Staff conferences & training	1,551	-	-	-	1,551	3,598
Interest expense	-	-	106	106	106	2,398
Miscellaneous	5,413	-	-	-	5,413	2,341
Total other than personnel services	<u>63,380</u>	<u>33,440</u>	<u>70,734</u>	<u>104,174</u>	<u>167,554</u>	<u>154,828</u>
Total expenses	<u>\$ 265,117</u>	<u>\$ 38,301</u>	<u>\$ 107,192</u>	<u>\$ 145,493</u>	<u>\$ 410,610</u>	<u>\$ 422,751</u>

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



BOYS & GIRLS CLUB OF HARLEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Boys & Girls Club of Harlem, Inc. was incorporated in the State of New York in 1980 as a Not-for-Profit Corporation.

The Organization operates after-school and summer programs with a focus on academic enrichment, job and life skills training, character and leadership development as well as recreational opportunities. Community partners, school administrators and guidance counselors as well as juvenile justice professionals refer youths to the programs of the club.

The following is a summary of the more significant accounting policies:

**Basis of Accounting**

The financial statements of BOYS & GIRLS CLUB OF HARLEM, INC. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivable, payables, and other liabilities.

**Basis of Presentation**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-225), (formerly SFAS No. 117), Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-225, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

**Income Taxes**

BOYS & GIRLS CLUB OF HARLEM, INC. is exempt from federal income taxes under Section 501©(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the organization has made no provision for federal income taxes in the accompanying financial statements.

**Capital Expenditures**

The reporting of capital additions as expenditures is in accordance with Generally Accepted Accounting Principles for nonprofit organizations.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

BOYS & GIRLS CLUB OF HARLEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Functional allocations**

The costs of providing services for the organization's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs, and supporting services.

**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 assumption that estimates certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Concentration of Credit**

BOYS & GIRLS CLUB OF HARLEM, INC. maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The organization has not experienced any losses in such accounts and believes that the organization is not exposed to any significant credit risk on cash and cash equivalents.

**Reclassification**

Certain line items in the 2013 financial statements have been reclassified to conform to the 2014 financial statement presentation.

**Subsequent Events**

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through the auditor's report date and the date of issuance. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

**NOTE 2 INVESTMENTS**

Financial assets are carried at fair value as classified:

	<b><u>Level 1</u></b>
Mutual funds	\$ 3,255,172
Total mutual funds	<u>3,255,172</u>

The organization is invested in mutual funds, which are recorded at fair market value based on quoted market prices. Earnings on investments are reflected in the accompanying statement of activities.

Earnings from investments consist of the following for the year ended December 31:

Earnings from investments:	
Dividends	\$ 15,654
Unrealized loss	<u>(9,769)</u>
	<u>\$ 5,885</u>

BOYS & GIRLS CLUB OF HARLEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE 2 INVESTMENTS - continued**

**Fair Value Measurements**

In determining fair value, the organization 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.

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.

Investments in cash and mutual 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. Investments in bonds, closed-end equities mutual funds and certain limited partnerships are valued using quoted prices in inactive markets (Level 2). Level 2 instruments valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. The organization was invested solely in Level 1 assets as of December 31, 2014.

**NOTE 3 DUE FROM DEVELOPER**

The Boys & Girls of Club Harlem entered into a limited partnership agreement with development partners; Monadnock Development, LLC and Alembic Community Development, to sell its P.S. 186 property located at 525 W.145<sup>th</sup> Street, (Block 2077, Lot 14) and construct a state of the art facility for the Club's programs and affordable housing units comprising 79 apartments for the Harlem community. In addition to the future construction of program facilities, The Club earned \$4,250,000 from the sale, of which \$250,000 is owed to the Club and will be paid upon completion of the project.

**NOTE 4 FIXED ASSETS**

The Boys & Girls of Club Harlem reverted ownership of property located in the Town of Orange, Schuyler County in Upstate New York to the donor. The Board of Directors determined that development of the property as a camp for boys and girls was programmatically and financially impractical due to the remoteness of location from the population served. The Warranty Deed was transferred on May 30, 2014.

**NOTE 5 DUE TO INVESTMENT BROKERAGE FIRM**

Shortly after the Boys & Girls of Club Harlem opened a brokerage account in December 2014 to invest proceeds from the sale of PS 186, the brokerage firm erroneously credited the Club with a deposit of \$250,602. The funds were not recouped from the Club's account until February 2015.

BOYS & GIRLS CLUB OF HARLEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

In accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes", which provides standards for establishing and classifying any tax provisions for uncertain tax positions, the organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2011 and subsequent remain subject to examination by applicable taxing authorities.



# **Rosemarie M. Lewis LLC**

## **Certified Public Accountant**

125 West 109th Street, Suite 11 C • New York, NY 10025

Tel: (631) 338-9390 • Fax: (646) 596-9322

Email: [rmbwood@aol.com](mailto:rmbwood@aol.com)

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Directors of  
BOYS & GIRLS CLUB OF HARLEM, INC.

We have audited the financial statements of BOYS & GIRLS CLUB OF HARLEM, INC. as of and for the year ended December 31, 2014, and have issued our report thereon dated August 31, 2015, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control over Financial Reporting**

The management of BOYS & GIRLS CLUB OF HARLEM, INC. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered BOYS & GIRLS CLUB OF HARLEM, INC.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BOYS & GIRLS CLUB OF HARLEM, INC.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BOYS & GIRLS CLUB OF HARLEM, INC.'s internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BOYS & GIRLS CLUB OF HARLEM, INC.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "R. Lewis".

August 31, 2015