



**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS
CLUBS OF ALLSTON-BRIGHTON**

**FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND SEPTEMBER 30, 2012
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

**WEST END HOUSE, INC
D/B/A WEST END HOUSE BOYS AND GIRLS
CLUBS OF ALLSTON-BRIGHTON**

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
West End House, Inc. d/b/a West End House Boys and
Girls Clubs of Allston-Brighton:

Report on the Financial Statements

We have audited the accompanying financial statements of West End House, Inc. d/b/a West End House Boys and Girls Clubs of Allston-Brighton (a Massachusetts nonprofit corporation) which comprise the statements of financial position as of December 31, 2013 and September 30, 2012, and the related statements of activities and changes in net assets, cash flows and functional expenses for the fifteen months ended December 31, 2013, and the year ended September 30, 2012, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of
West End House, Inc. d/b/a West End House Boys and
Girls Clubs of Allston-Brighton
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Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of West End House, Inc. d/b/a West End House Boys and Girls Clubs of Allston-Brighton as of December 31, 2013 and September 30, 2012, and the changes in its net assets and its cash flows for the fifteen months ended December 31, 2013, and the year ended September 30, 2012, in accordance with accounting principles generally accepted in the United States of America.

Alexander, Anderson, Penning & Co., P.C.

Boston, Massachusetts
May 6, 2014

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS
CLUBS OF ALLSTON-BRIGHTON**

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND SEPTEMBER 30, 2012**

<u>ASSETS</u>	<u>DECEMBER 31, 2013</u>			<u>SEPTEMBER 30, 2012</u>		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS:						
Cash	\$ 260,515	\$ 343,038	\$ 603,553	\$ 387,237	\$ 343,967	\$ 731,204
Current portion of pledges and grants receivable	346,788	155,964	502,752	281,264	362,323	643,587
Contracts receivable	21,973	-	21,973	29,149	-	29,149
Prepaid expenses	37,763	-	37,763	9,795	-	9,795
Contribution receivable from remainder trust	-	-	-	210,655	-	210,655
Due from Girls Camp	-	-	-	4,869	-	4,869
Total current assets	667,039	499,002	1,166,041	922,969	706,290	1,629,259
INVESTMENTS	372,829	2,487,020	2,859,849	310,825	2,391,814	2,702,639
PLEDGES AND GRANTS RECEIVABLE , net of current portion	-	11,250	11,250	-	60,000	60,000
PROPERTY AND EQUIPMENT , net of accumulated depreciation	5,572,363	-	5,572,363	5,888,514	-	5,888,514
Total assets	<u>\$ 6,612,231</u>	<u>\$ 2,997,272</u>	<u>\$ 9,609,503</u>	<u>\$ 7,122,308</u>	<u>\$ 3,158,104</u>	<u>\$ 10,280,412</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES:						
Current portion of note payable	\$ 67,266	\$ -	\$ 67,266	\$ 53,038	\$ -	\$ 53,038
Accounts payable and accrued expenses	109,809	-	109,809	128,440	-	128,440
Deferred revenue	45,000	-	45,000	25,000	-	25,000
Total current liabilities	222,075	-	222,075	206,478	-	206,478
NOTE PAYABLE , net of current portion	1,627,666	-	1,627,666	1,898,892	-	1,898,892
Total liabilities	1,849,741	-	1,849,741	2,105,370	-	2,105,370
NET ASSETS:						
Unrestricted:						
Operating	586,745	-	586,745	788,075	-	788,075
Board designated	110,878	-	110,878	105,839	-	105,839
Capital reserve	187,436	-	187,436	186,440	-	186,440
Property and equipment	3,877,431	-	3,877,431	3,936,584	-	3,936,584
Total unrestricted	4,762,490	-	4,762,490	5,016,938	-	5,016,938
Temporarily restricted:						
Purpose restricted	-	659,799	659,799	-	902,118	902,118
Time restricted	-	85,193	85,193	-	84,040	84,040
Endowment	-	2,252,280	2,252,280	-	2,171,946	2,171,946
Total temporarily restricted	-	2,997,272	2,997,272	-	3,158,104	3,158,104
Total net assets	4,762,490	2,997,272	7,759,762	5,016,938	3,158,104	8,175,042
Total liabilities and net assets	<u>\$ 6,612,231</u>	<u>\$ 2,997,272</u>	<u>\$ 9,609,503</u>	<u>\$ 7,122,308</u>	<u>\$ 3,158,104</u>	<u>\$ 10,280,412</u>

The accompanying notes are an integral part of these statements.

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS
CLUBS OF ALLSTON-BRIGHTON**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2013
AND THE YEAR ENDED SEPTEMBER 30, 2012**

	FIFTEEN MONTHS ENDED DECEMBER 31, 2013			YEAR ENDED SEPTEMBER 30, 2012		
	TEMPORARILY			TEMPORARILY		
	UNRESTRICTED	RESTRICTED	TOTAL	UNRESTRICTED	RESTRICTED	TOTAL
REVENUE AND SUPPORT:						
Special events:						
Event contributions and support	\$ 513,798	\$ -	\$ 513,798	\$ 423,561	\$ -	\$ 423,561
Less - direct expenses	<u>130,517</u>	<u>-</u>	<u>130,517</u>	<u>142,596</u>	<u>-</u>	<u>142,596</u>
Net special events revenue	383,281	-	383,281	280,965	-	280,965
Corporate/Foundation grants and contributions	498,442	279,946	778,388	572,585	701,790	1,274,375
Individual contributions	435,837	-	435,837	416,109	-	416,109
Government grants	240,889	16,260	257,149	264,956	-	264,956
Investment earnings appropriated for operations	157,690	-	157,690	119,410	-	119,410
Rental fees and other	42,087	-	42,087	20,228	-	20,228
In-kind contributions	14,918	-	14,918	109,385	-	109,385
Group events and membership dues	5,355	-	5,355	6,539	-	6,539
Net assets released from restrictions	<u>608,971</u>	<u>(608,971)</u>	<u>-</u>	<u>310,014</u>	<u>(310,014)</u>	<u>-</u>
Total revenue and support	<u>2,387,470</u>	<u>(312,765)</u>	<u>2,074,705</u>	<u>2,100,191</u>	<u>391,776</u>	<u>2,491,967</u>
EXPENSES:						
Program services	2,015,376	-	2,015,376	1,695,860	-	1,695,860
General and administrative	170,690	-	170,690	152,213	-	152,213
Fundraising	<u>213,211</u>	<u>-</u>	<u>213,211</u>	<u>155,008</u>	<u>-</u>	<u>155,008</u>
Total expenses	<u>2,399,277</u>	<u>-</u>	<u>2,399,277</u>	<u>2,003,081</u>	<u>-</u>	<u>2,003,081</u>
Changes in net assets from operations before depreciation	(11,807)	(312,765)	(324,572)	97,110	391,776	488,886
DEPRECIATION	<u>333,714</u>	<u>-</u>	<u>333,714</u>	<u>286,070</u>	<u>-</u>	<u>286,070</u>
Changes in net assets from operations	<u>(345,521)</u>	<u>(312,765)</u>	<u>(658,286)</u>	<u>(188,960)</u>	<u>391,776</u>	<u>202,816</u>
OTHER REVENUE (EXPENSES):						
Investment earnings	11,439	239,352	250,791	13,719	288,124	301,843
Capital grants	108,886	56,726	165,612	-	-	-
Endowment and Scholarship Fund contributions	-	7,145	7,145	-	57,205	57,205
Change in value of remainder trust	-	-	-	58,233	-	58,233
Donated property and equipment	-	-	-	55,325	-	55,325
Net assets released from restrictions	151,290	(151,290)	-	286,741	(286,741)	-
Capital campaign expenses	<u>(22,852)</u>	<u>-</u>	<u>(22,852)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment earnings appropriated for operations	<u>(157,690)</u>	<u>-</u>	<u>(157,690)</u>	<u>(119,410)</u>	<u>-</u>	<u>(119,410)</u>
Total other revenue (expenses)	<u>91,073</u>	<u>151,933</u>	<u>243,006</u>	<u>294,608</u>	<u>58,588</u>	<u>353,196</u>
Changes in net assets	(254,448)	(160,832)	(415,280)	105,648	450,364	556,012
NET ASSETS, beginning of year	<u>5,016,938</u>	<u>3,158,104</u>	<u>8,175,042</u>	<u>4,911,290</u>	<u>2,707,740</u>	<u>7,619,030</u>
NET ASSETS, end of year	<u>\$ 4,762,490</u>	<u>\$ 2,997,272</u>	<u>\$ 7,759,762</u>	<u>\$ 5,016,938</u>	<u>\$ 3,158,104</u>	<u>\$ 8,175,042</u>

The accompanying notes are an integral part of these statements.

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS
CLUBS OF ALLSTON-BRIGHTON**

**STATEMENTS OF CASH FLOWS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2013
AND THE YEAR ENDED SEPTEMBER 30, 2012**

	FIFTEEN MONTHS ENDED DECEMBER 31, 2013	YEAR ENDED SEPTEMBER 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets from operations	\$ (658,286)	\$ 202,816
Adjustments to reconcile changes in net assets from operations to net cash used in operating activities:		
Depreciation	333,714	286,070
Bad debts	10,513	11,925
Investment earnings appropriated for operations	(157,690)	(119,410)
Donated stocks	(30,511)	-
Changes in operating assets and liabilities:		
Pledges and grants receivable	179,072	(478,760)
Contracts receivable	7,176	(7,583)
Prepaid expenses	(27,968)	3,249
Contribution receivable from remainder trust	210,655	-
Due from Girls Camp	4,869	3,157
Accounts payable and accrued expenses	(18,631)	23,897
Deferred revenue	20,000	-
Net cash used in operating activities	<u>(127,087)</u>	<u>(74,639)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends	37,658	59,813
Acquisition of property and equipment	(17,563)	(31,265)
Proceeds from sale of investments	2,567,082	-
Purchase of investments	<u>(2,480,648)</u>	<u>(65,121)</u>
Net cash provided by (used in) investing activities	<u>106,529</u>	<u>(36,573)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(256,998)	(49,663)
Capital grants	165,612	-
Capital campaign expenses	(22,852)	-
Endowment and Scholarship Fund contributions	<u>7,145</u>	<u>57,205</u>
Net cash provided by (used in) financing activities	<u>(107,093)</u>	<u>7,542</u>
NET DECREASE IN CASH	(127,651)	(103,670)
CASH, beginning of year	731,204	834,874
CASH, end of year	<u>\$ 603,553</u>	<u>\$ 731,204</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 126,161</u>	<u>\$ 108,918</u>
NON-CASH INVESTING TRANSACTIONS:		
Unrealized gain (loss) on investments	<u>\$ (65,965)</u>	<u>\$ 242,030</u>
Realized gain on investments	<u>\$ 279,098</u>	<u>\$ -</u>
Cost of fully depreciated property and equipment disposed	<u>\$ 22,762</u>	<u>\$ 4,200</u>
Donated property and equipment	<u>\$ -</u>	<u>\$ 55,325</u>

The accompanying notes are an integral part of these statements.

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS
CLUBS OF ALLSTON-BRIGHTON**

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2013
AND THE YEAR ENDED SEPTEMBER 30, 2012**

	FIFTEEN MONTHS ENDED DECEMBER 31, 2013				YEAR ENDED SEPTEMBER 30, 2012			
	PROGRAM SERVICES	GENERAL AND ADMINIS- TRATIVE	FUNDRAISING	TOTAL	PROGRAM SERVICES	GENERAL AND ADMINIS- TRATIVE	FUNDRAISING	TOTAL
SALARIES AND RELATED:								
Salaries	\$ 965,890	\$ 49,582	\$ 162,234	\$ 1,177,706	\$ 770,290	\$ 54,751	\$ 119,848	\$ 944,889
Employee benefits	134,212	8,391	25,059	167,662	107,937	9,127	17,089	134,153
Payroll taxes	102,139	4,737	15,194	122,070	82,014	6,795	13,823	102,632
Contract services	37,152	-	-	37,152	35,148	-	-	35,148
Stipends	13,314	-	-	13,314	-	-	-	-
Total salaries and related	<u>1,252,707</u>	<u>62,710</u>	<u>202,487</u>	<u>1,517,904</u>	<u>995,389</u>	<u>70,673</u>	<u>150,760</u>	<u>1,216,822</u>
OCCUPANCY:								
Utilities	175,567	5,545	3,697	184,809	130,650	4,126	2,750	137,526
Repairs and maintenance	122,155	5,410	-	127,565	117,168	4,890	-	122,058
Interest	119,853	6,308	-	126,161	103,472	5,446	-	108,918
Insurance	31,710	1,676	-	33,386	23,023	1,212	-	24,235
Total occupancy	<u>449,285</u>	<u>18,939</u>	<u>3,697</u>	<u>471,921</u>	<u>374,313</u>	<u>15,674</u>	<u>2,750</u>	<u>392,737</u>
OTHER:								
Professional fees	91,054	73,520	1,175	165,749	77,582	52,819	-	130,401
Food	72,748	-	-	72,748	32,589	-	-	32,589
Program supplies and other	56,205	3,146	-	59,351	38,030	-	-	38,030
Dues and subscriptions	17,180	603	116	17,899	15,850	779	-	16,629
Donated goods and services	14,918	-	-	14,918	85,631	-	-	85,631
Scholarships	14,580	-	-	14,580	11,092	-	-	11,092
Miscellaneous	10,595	492	1,079	12,166	8,914	576	-	9,490
Postage and printing	8,166	180	3,508	11,854	6,735	700	752	8,187
Bad debts	-	10,513	-	10,513	1,825	10,100	-	11,925
Telephone	8,406	268	222	8,896	7,018	222	148	7,388
Transportation	8,364	40	423	8,827	6,816	344	266	7,426
Staff development	6,805	25	-	6,830	4,391	139	92	4,622
Office supplies	4,363	254	504	5,121	5,931	187	240	6,358
Donated food	-	-	-	-	23,754	-	-	23,754
Total other	<u>313,384</u>	<u>89,041</u>	<u>7,027</u>	<u>409,452</u>	<u>326,158</u>	<u>65,866</u>	<u>1,498</u>	<u>393,522</u>
Total expenses before depreciation	<u>2,015,376</u>	<u>170,690</u>	<u>213,211</u>	<u>2,399,277</u>	<u>1,695,860</u>	<u>152,213</u>	<u>155,008</u>	<u>2,003,081</u>
DEPRECIATION	<u>316,764</u>	<u>10,276</u>	<u>6,674</u>	<u>333,714</u>	<u>271,767</u>	<u>8,582</u>	<u>5,721</u>	<u>286,070</u>
Total expenses	<u>\$ 2,332,140</u>	<u>\$ 180,966</u>	<u>\$ 219,885</u>	<u>\$ 2,732,991</u>	<u>\$ 1,967,627</u>	<u>\$ 160,795</u>	<u>\$ 160,729</u>	<u>\$ 2,289,151</u>

The accompanying notes are an integral part of these statements.

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS
CLUBS OF ALLSTON-BRIGHTON**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND SEPTEMBER 30, 2012**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

The mission of West End House, Inc. d/b/a West End House Boys and Girls Clubs of Allston-Brighton (the Club) is to inspire and enable young people, especially those from disadvantaged backgrounds, to realize their full potential as productive, responsible and caring citizens. The Club is an independent Boys and Girls Club in the City of Boston that provides outcome-driven programs to Boston youth residing in the most underserved neighborhoods. These high-impact programs provide opportunities in critical areas of youth development, ensuring that young people most in need are succeeding academically, exploring the arts, developing career readiness skills, and adopting healthy lifestyles.

With 75% of the Club's families earning less than \$25,000 per year and 70% of the young people served coming from single-parent households, the Club is truly reaching the children and teens most in need. The membership fee is only \$15 annually, to ensure there are no financial barriers to participation. Even with such a low fee, more than half of the young people are provided scholarships by the Club.

The Club offers its 1,500 members an integrated array of programs across four broad areas: leadership and life skills; academic support and college preparation; sports, fitness and nutrition; and visual and performing arts. In support of these programs, the Club also serves over 1,200 healthful hot meals to members every week.

A key tool used by the Club to ensure the continuing, consistent and customized attention is WISDOM: The Club's Internal System for Developmental Outcomes Measurement. This system allows staff members to create and monitor a nuanced picture of how each child is doing. If necessary, an intervention plan is developed to address any issues or problems, so no child falls through the cracks. Data is also aggregated and analyzed to inform program development and resource allocation. The WISDOM tool currently tracks 200 Club members, with plans to double that number.

The Club is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Club is also exempt from state income taxes. Contributions made to the Club are deductible by donors within the requirements of the IRC.

During fiscal period 2013, the Club changed its fiscal year end from September 30th to December 31st.

SIGNIFICANT ACCOUNTING POLICIES

The Club prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification.

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS
CLUBS OF ALLSTON-BRIGHTON**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND SEPTEMBER 30, 2012
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

- Unrestricted grants and contributions from foundations, corporations, and individuals are recognized as revenue when received or unconditionally pledged.
- Government grants are recognized as expenses are incurred.
- Revenue from special events is recognized in the period in which the event occurs.
- Grants and contributions designated for a specific purpose or period are recognized as temporarily restricted revenue and support and net assets when received or unconditionally pledged. Transfers are made to unrestricted revenue and support and net assets as services are provided and costs are incurred or as time restrictions lapse. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets.
- Group events, membership dues and other, and rental fees are recognized when earned.

Allowance for Uncollectible Accounts

The Club records an allowance for uncollectible accounts based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. Accounts are written off when they are determined to be uncollectible and are recorded as bad debt. There was no allowance for uncollectible accounts deemed necessary as of December 31, 2013 and September 30, 2012.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

Expenses related directly to a program are allocated to program expenses, while other expenses are allocated based upon management's estimate of the percentage attributable to program services, general and administrative and fundraising.

**WEST END HOUSE, INC.
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CLUBS OF ALLSTON-BRIGHTON**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND SEPTEMBER 30, 2012
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at the estimated market value at the date of gift, if donated. Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives and consist of the following at December 31, 2013 and September 30, 2012:

	<u>Estimated Useful Lives</u>	<u>December 31, 2013</u>	<u>September 30, 2012</u>
Building and improvements	10 and 40 years	\$7,920,460	\$7,908,292
Furniture and equipment	3 - 10 years	504,364	521,731
Land	N/A	25,374	25,374
		<u>8,450,198</u>	<u>8,455,397</u>
Less - accumulated depreciation		<u>2,877,835</u>	<u>2,566,883</u>
Net property and equipment		<u>\$5,572,363</u>	<u>\$5,888,514</u>

Substantially all property and equipment are pledged as collateral in connection with a mortgage note payable (see Note 5).

In-Kind Goods and Services

During the fifteen months ended December 31, 2013, and the year ended September 30, 2012, the Club received \$14,918 and \$85,631, respectively, of donated program supplies and services, which are reflected as in-kind contributions revenue and donated goods and services in the accompanying statements of activities and changes in net assets and functional expenses.

During fiscal year 2012, the Club received \$23,754 of donated food from the Greater Boston Food Bank, which is reflected as in-kind contributions revenue and donated food expense in the accompanying statements of activities and changes in net assets and functional expenses. The Club also received \$55,583 of donated special event supplies and services, which is included in event contributions and support and special event direct expenses in the accompanying statements of activities and changes in net assets.

Also, during fiscal year 2012, the Club received donated equipment of \$55,325, which is reflected as donated property and equipment in the accompanying statement of activities and changes in net assets.

During the fifteen months ended December 31, 2013, and the year ended September 30, 2012, the Club had volunteers who donated their time to the Club's program services. The fair value of these services is not reflected in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP.

**WEST END HOUSE, INC.
D/B/A WEST END HOUSE BOYS AND GIRLS
CLUBS OF ALLSTON-BRIGHTON**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND SEPTEMBER 30, 2012
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Club follows the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The Club values its qualifying assets and liabilities using Level I inputs. Level I inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

The Club records its investments at fair market value. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date. Realized gains or losses on investment transactions are recorded using the average cost method. Unrealized gains and losses are recognized based on market value changes during the period (see Note 2).

The Club's investment policy sets forth guidelines for prudent investment of funds, taking into account liquidity, growth, risk, and return characteristics appropriate for different categories of the Club's investments. Under this policy, funds are invested to produce a relatively high level of income commensurate with prudent diversification and moderate risks. Investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends).

In accordance with the Club's annual investment spending policy, annual withdrawals of the Endowment and Board designated funds (collectively, the Funds) (see Note 6) shall not exceed an amount equal to five (5%) percent of the average market value of the Funds over a rolling three-year period ending on June 30th of the previous fiscal year, unless otherwise authorized by the Board of Directors. Annual withdrawals of the Scholarship fund shall not exceed more than five (5%) percent of the average market value of the Scholarship fund (see Note 6) over a three-year period ending June 30th of each fiscal year, unless otherwise authorized by the Board of Directors.

During the fifteen months ended December 21, 2013, and the year ended September 30, 2012, the Club appropriated for operations \$157,690 and \$119,410, respectively, of the Board designated, Endowment and Scholarship funds (see Note 6) under the Club's investment spending policy. The amount appropriated is reflected as investment earnings appropriated for operations in the accompanying statements of activities and changes in net assets for the fifteen months ended December 31, 2013, and the year ended September 30, 2012.

Deferred Revenue

Deferred revenue represents amounts for special events received in advance of the fiscal year in which the events were held.

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**NOTES TO FINANCIAL STATEMENTS
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(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through May 6, 2014, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Accounting for Uncertainty in Income Taxes

The Club follows the *Accounting for Uncertainty in Income Taxes* standard, which requires the Club to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of December 31, 2013 and September 30, 2012, the Club determined that there are no material unrecognized tax benefits to report. The Club does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

Information returns filed for the prior three years remain subject to examination by the Internal Revenue Service and Commonwealth of Massachusetts.

(2) INVESTMENTS

Investments are presented in the accompanying financial statements at fair value. The Club's investments consist of the following:

	<u>December 31, 2013</u>	<u>September 30, 2012</u>
Money market funds	\$2,349,488	\$ 702,412
Equities:		
International developed	190,214	150,255
U.S. large cap	24,388	631,740
Others	295,759	290,707
Fixed income:		
Investment grade taxable	-	282,764
International developed bonds	-	128,392
Others	-	406,719
Commodities	<u>-</u>	<u>109,650</u>
Total investments	<u>\$2,859,849</u>	<u>\$2,702,639</u>

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND SEPTEMBER 30, 2012
(Continued)**

(2) INVESTMENTS (Continued)

Investment earnings for the fifteen months ended December 31, 2013, and the year ended September 30, 2012, consist of the following:

	<u>December 31, 2013</u>	<u>September 30, 2012</u>
Realized gain	\$279,098	\$ -
Unrealized gain (loss)	(65,965)	242,030
Interest and dividends, net of related fees	<u>37,658</u>	<u>59,813</u>
	<u>\$250,791</u>	<u>\$301,843</u>

Investment fees were \$25,481 and \$20,887 for the fifteen months ended December 31, 2013, and the year ended September 30, 2012, respectively.

The Club intends to hold its investments indefinitely. Accordingly, the investments are shown as long-term assets in the accompanying statements of financial position regardless of maturity. Investments are not insured and are subject to ongoing market fluctuations.

(3) PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are recorded at their net present value when unconditionally committed. Approximately 46% of the Club's pledges and grants receivable at December 31, 2013, were from three donors. Approximately 51% of the Club's pledges and grants receivable at September 30, 2012, were from four donors. An allowance for doubtful accounts was not deemed necessary as of December 31, 2013 and September 30, 2012, based on management's best estimate of the collectability of the receivables. The decision not to record an allowance is based on historical collections and write-off experience, as well as the amounts that were collected subsequent to December 31, 2013 and September 30, 2012.

Pledges and grants receivable were due as follows at December 31, 2013 and September 30, 2012:

	<u>December 31, 2013</u>	<u>September 30, 2012</u>
Amounts due in:		
Less than one year	\$502,752	\$643,587
One to three years	\$ 11,250	\$ 60,000

The pledges and grants receivable have not been discounted as management has determined the impact of discounting is not material to the financial statements.

(4) CONTRIBUTION RECEIVABLE FROM REMAINDER TRUST

The Club was the beneficiary of a Charitable Remainder Unitrust (CRUT). A donor established and funded the CRUT with specified distributions to be made to him over the CRUT's term. Upon termination of the CRUT, the Club receives any remaining assets. The CRUT terminated during fiscal year 2012 and the assets of the CRUT were received by the Club in fiscal year 2013.

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**NOTES TO FINANCIAL STATEMENTS
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(Continued)**

(5) NOTE PAYABLE

Note payable consists of the following:

	<u>December 31, 2013</u>	<u>September 30, 2012</u>
5.5% mortgage note payable to a bank, due in monthly installments of principal and interest of \$13,234 through April, 2015, at which time the interest rate is expected to change based on the Federal Home Loan Bank One-Year Advanced Borrowing Rate. The note was originally scheduled to mature in March, 2035. Due to the acceleration of principal payments, the note is now scheduled to mature in February, 2030. The note is secured by a mortgage and an assignment of all pledges relating to building and improvements (see Notes 1 and 3). In fiscal period 2013, the Club made accelerated payments of approximately \$186,000 on the note (see below).	\$1,694,932	\$1,951,930
Less - current portion	<u>67,266</u>	<u>53,038</u>
	<u>\$1,627,666</u>	<u>\$1,898,892</u>

During the fifteen months ended December 31, 2013, the Club received a contribution of approximately \$86,000 to pay down the mortgage. This amount is included in the accelerated payment amount above and is included in unrestricted capital grants in the accompanying statement of activities and changes in net assets for the fifteen months ended December 31, 2013.

Aggregate maturities of long-term debt over the next five fiscal years (assuming the interest rate on the mortgage note remains at 5.5%) are as follows:

2014	\$67,266
2015	\$71,060
2016	\$75,068
2017	\$79,303
2018	\$83,776

The mortgage note agreement contains various administrative covenants with which the Club must comply. The Club was in compliance with these covenants at December 31, 2013.

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(Continued)**

(6) NET ASSETS

Description of Net Assets

Unrestricted Net Assets

Unrestricted net assets include the following:

Operating - consist of amounts relating to program and other operating activities, which bear no external restrictions.

Board designated - represent funds set aside by the Board of Directors for long-term investment purposes and future expansion of program activities. The use of these funds requires the approval of the Board of Directors.

Capital reserve - represent funds set aside by the Board of Directors for repairs and improvements to the Club's facility. The use of this reserve requires the approval of the Board of Directors.

Property and equipment - reflect amounts expended and resources available for property and equipment, net of related debt.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts received with time or purpose restrictions, which have not yet been expended for their purposes. Temporarily restricted net assets consist of the following:

	<u>December 31, 2013</u>	<u>September 30, 2012</u>
Endowment fund	\$2,252,280	\$2,171,946
Program restricted	425,059	682,249
Scholarships	234,740	219,869
Other time restricted	<u>85,193</u>	<u>84,040</u>
	<u>\$2,997,272</u>	<u>\$3,158,104</u>

Investment earnings on the Endowment fund (the Fund) are recorded as temporarily restricted net assets as specified by the donors. Net investment gains on the Fund were \$217,333 and \$260,667 for the fifteen months ended December 31, 2013, and the year ended September 30, 2012, respectively. These amounts are included in investment earnings in the accompanying statements of activities and changes in net assets. The term endowment is an internal term not used in the traditional manner that would otherwise indicate permanently restricted net assets. The Club is not required to permanently maintain any portion of the Fund.

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**NOTES TO FINANCIAL STATEMENTS
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(Continued)**

(6) NET ASSETS (Continued)

Description of Net Assets (Continued)

Endowment net assets consist of the following:

	<u>December 31, 2013</u>			<u>September 30, 2012</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment fund	\$ -	\$2,252,280	\$2,252,280	\$ -	\$2,171,946	\$2,171,946
Board designated	<u>110,878</u>	<u>-</u>	<u>110,878</u>	<u>105,839</u>	<u>-</u>	<u>105,839</u>
	<u>\$110,878</u>	<u>\$2,252,280</u>	<u>\$2,363,158</u>	<u>\$105,839</u>	<u>\$2,171,946</u>	<u>\$2,277,785</u>

Changes in Endowment net assets by class are as follows for the fifteen months ended December 31, 2013, and the year ended September 30, 2012:

	<u>Unrestricted Board- Designated</u>	<u>Temporarily Restricted Endowment</u>	<u>Total Endowment</u>
Endowment net assets, September 30, 2011	<u>\$ 97,210</u>	<u>\$1,964,704</u>	<u>\$2,061,914</u>
Investment return:			
Interest and dividends	2,436	46,291	48,727
Net realized gain	<u>11,284</u>	<u>214,376</u>	<u>225,660</u>
Total investment return	<u>13,720</u>	<u>260,667</u>	<u>274,387</u>
Appropriation of Endowment assets for expenditure	<u>(5,091)</u>	<u>(103,425)</u>	<u>(108,516)</u>
Contributions	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Endowment net assets, September 30, 2012	<u>105,839</u>	<u>2,171,946</u>	<u>2,277,785</u>
Investment return:			
Interest and dividends	1,714	32,568	34,282
Net unrealized gains	<u>9,724</u>	<u>184,765</u>	<u>194,489</u>
Total investment return	<u>11,438</u>	<u>217,333</u>	<u>228,771</u>
Appropriation of Endowment assets for expenditure	<u>(6,399)</u>	<u>(136,999)</u>	<u>(143,398)</u>
Endowment net assets, December 31, 2013	<u>\$110,878</u>	<u>\$2,252,280</u>	<u>\$2,363,158</u>

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**NOTES TO FINANCIAL STATEMENTS
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(Continued)**

(7) CONCENTRATION OF CREDIT RISK

The Club maintains its cash balances in a Massachusetts bank. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. During the fifteen months ended December 31, 2013, and the year ended September 30, 2012, the Club's cash balances exceeded the insured amounts. The Club has not experienced any losses in such accounts. The Club believes it is not exposed to any significant credit risk on its cash.

(8) PENSION PLAN

The Club has a defined contribution pension plan covering all eligible employees. Employees become eligible to participate after reaching age twenty-one and completing one year of service. The Club contributes annually up to 10% of each employee's annual salary. The Club's contributions in the participant's account are 100% vested after three years of service. Pension expense was \$73,616 and \$52,540 for the fifteen months ended December 31, 2013, and the year ended September 30, 2012, respectively, which is included in employee benefits in the accompanying statements of functional expenses.

(9) FISCAL AGENT

The Club was the fiscal agent for a local girls' camp (Girls Camp). The Club received and disbursed funds on behalf of Girls Camp. During 2013, the Club terminated the fiscal agent agreement. The collaboration between the two agencies remains, but all fiscal agent activities ended during the year. As of September 30, 2012, the Club was owed \$4,869 for expenses paid on behalf of the Girls Camp, which was repaid during the fifteen months ended December 31, 2013.

(10) RELATED PARTY TRANSACTIONS

The Club's Executive Director is on the Board of Directors for other nonprofit organizations. During 2013, the Club received \$97,435 in contributions from these organizations, \$96,010 of which is included in corporate/foundation grants and contributions and \$1,425 as in-kind contributions in the accompanying statement of activities and changes in net assets. During fiscal year 2012, the Club received \$8,920 in contributions from one nonprofit organization, \$4,050 of which is included in corporate/foundation grants and contributions and \$4,870 as in-kind contributions in the accompanying statement of activities and changes in net assets.

(11) CAPITAL CAMPAIGN

During the fifteen months ended December 31, 2013, the Club began the exploratory and preparation phase of a capital campaign to raise funds to build capital and support its program and other initiatives identified by the Board of Directors. There have been no contributions raised for this campaign yet, but the Club incurred \$22,852 of costs associated with the capital campaign during the fifteen months ended December 31, 2013.

(12) RECLASSIFICATIONS

Certain amounts in the 2012 financial statements were reclassified to conform with the 2013 presentation.