

NONPROFIT INVESTOR

INDEPENDENT RESEARCH FOR PHILANTHROPY

Boys & Girls Clubs of the Peninsula

Nonprofit Investor Rating:

NEUTRAL

Mission Statement

The Boys & Girls Clubs of the Peninsula aim to guide and inspire the youth of the communities they serve to develop the attitudes and life skills they need to thrive.

Financial Overview

\$ in MM, Fiscal Year Ended June 30

	2009	2010	2011
Revenue and Support	\$4.8	\$5.2	\$6.9
Operating Expenses	\$5.9	\$5.5	\$5.8
% of Total:			
Program Expenses	73.8%	78.3%	79.2%
G&A	12.0%	13.6%	13.6%
Fundraising	14.1%	8.2%	7.2%

Year Founded: 1958

Contact Details

Boys & Girls Clubs of the Peninsula
401 Pierce Road
Menlo Park, CA 94025
(650) 646-6140

<http://www.bgcp.org/>

EIN: 94-1552134

Analyst: Evan Eurich

Peer Review: Kent Chao, Heather Silverio

Publication Date

June 25, 2012

SUMMARY

The Boys & Girls Clubs of the Peninsula ("BGCP", "the Clubs") operate a number of daily and afterschool programs to provide a safe place for youths to grow academically and socially.

STRENGTHS

▲ **Proven increase in graduation rates.** 85% of BGCP's school site members have graduated from high school with a plan for post-secondary education or training; however, this statistic reflects a limited sample size and a short history of data collection.

▲ **Dedicated tracking of member performance.** BGCP begins monitoring participants six years prior to graduation, keeping watch on attendance rates, grades, and disciplinary actions.

▲ **Commitment to expansion.** BGCP intends to double their existing school sites by 2015+ while maintaining a quality standard of service for each member and minimizing waitlist times.

CAUTIONS

● **Historic lapses in data collection.** The Clubs suffers from past inefficiencies in data collection and the small sample size with which they calculate their performance metrics.

● **Concentration of contributions.** BGCP has a history of receiving 15-30% of donations from no more than five sources per year. FY11 saw a larger base of donations, necessary for the expected growth.

▼ **Investment assets susceptible to market risk.** BGCP's strong concentration in equity-specific investments leads to volatile ties to index benchmarks. Different asset classes could mitigate this risk and provide better expectancy of cash flows.

RECOMMENDATION: NEUTRAL

NPI recognizes BGCP's ability to increase graduation rates and successfully track the progression of future classes to do the same. Additionally, their growing presence in the areas most in need of these services could see the benefit of more diverse funding and volunteer sources. However, quantifiable results of program efficacy are limited and too young to be substantial at this time. These problems should subside as data collection improves and sample size increases in the next 1-3 years.

OVERVIEW OF BGCP'S ACTIVITIES

The Boys & Girls Clubs of the Peninsula manage a youth advancement program dedicated to the mentorship and well-being of kids and adolescents aged 6-18. Founded in 1958, the charity operates under the Boys and Girls Clubs of America umbrella, benefitting from their organizational structure but catering specifically to the California Bay Area Peninsula.

Improving the mental, physical, and social capacities of their members stands as the preeminent goal of the organization. The Clubs also carry a more focused aim to both increase high school graduation rates and to encourage those graduates to have a plan, i.e. post-secondary education or training. To accomplish these intents, BGCP places a heavy importance on programs involving Academics, Science and Technology, Social Education, Life Skills, Athletics, and the Arts. Many of these programs are instituted in conjunction with community organizations, schools, families, local governments, and other nonprofits.

With the help of trained staff and volunteers, BGCP has identified a number of key methods, known as academic and social interventions, to ensure members stay on track, which are outlined below:

Academic Interventions	Social Interventions
<ul style="list-style-type: none">• An extended learning day• Summer instruction to avoid lapse in education• Small group instruction• Individual case management• Enrichment classes	<ul style="list-style-type: none">• A culture of high expectations• A sense of belonging• 1:1 mentorship and positive peer groups• Parental involvement• Extracurricular activities

BGCP operates three clubhouses and nine school sites in the at-risk areas of East Palo Alto, eastern Menlo Park, and the North Fair Oaks section of Redwood City. The clubhouses act as primary hubs for each school site, encouraging the shared use of facilities, staff, and programs, while increasing the organizations reach by maintaining a presence where many youths already spend a considerable amount of their week. The Clubs are not limited to any socioeconomic demographics – the programs are available for any youth to use.

Future plans include expansion into five more full-time school sites by the end of 2014, with plans for an addition of four more in 2015. These school sites will work in conjunction with the three existing clubhouses to meet the demands of the target areas, ensuring summer programs across all locations and reduced or eliminated waiting lists for new members. Current membership has remained roughly flat at 2,800 (+/-100) members for the past four years; BGCP intends to provide better service to these members before taking on the aforementioned expansion.

PROGRAM RESULTS AND EFFECTIVENESS

BGCP's stated goal is to double graduation rates for youths in the disadvantaged areas in which it serves, specifically Menlo Park and East Palo Alto. Additionally, they encourage those graduates to have a plan for continued training or post-secondary education. Increasing staff, club locations, and program activities fit in line with these goals, although BGCP faces a number of challenges inherent to the communities in which they operate.

The Clubs' actions are directed to combat problems stemming within Bay Area schools and existing youth programs, including a lack of summer school, increased commutes due to redistricting, lack of individual attention, and reduced extracurricular activities. These problems often stem from increasingly constrained school budgets. BGCP's most recent letter to stakeholders outlines a number of metrics quantifying the results of their programs. However, they acknowledge their past inefficiencies in data collection and the small sample size the data is based upon,

taking into account that a number of their operations in school sites did not exist 1-4 years ago. One of the largest examples of this is shown in their calculation of students graduating high school with a plan – over the course of the past six years, 85% of BGCP’s school site members have graduated from high school with post-secondary goals in mind, in neighborhoods where less than 50% of youths graduate from high school. However, this measure comes from only one school site (as others were not built prior to 2008). A number of students could not be reached after graduation as well. The data shows affects of skew and may have an expectation of being smoothed once the newer school sites open and the sample size increases.

Active membership increased in five out of seven sites where data was available. The Clubs surpassed their 2011 high school graduation goals in three out of four sites; the remaining three (Belle Haven, Hoover, and McNair) are still too young to have a cycle of finished graduates. The Clubs also maintain an “On Track” assessment to determine the likelihood of an underclassman to reach graduation with a plan. Maintaining school attendance above 90% and keeping grades above certain levels are some of the measurements that go into this assessment. It has grown significantly from FY10 to FY11. BGCP once again explains the volatility due to poor data collection methods and a smaller data pool in the past.

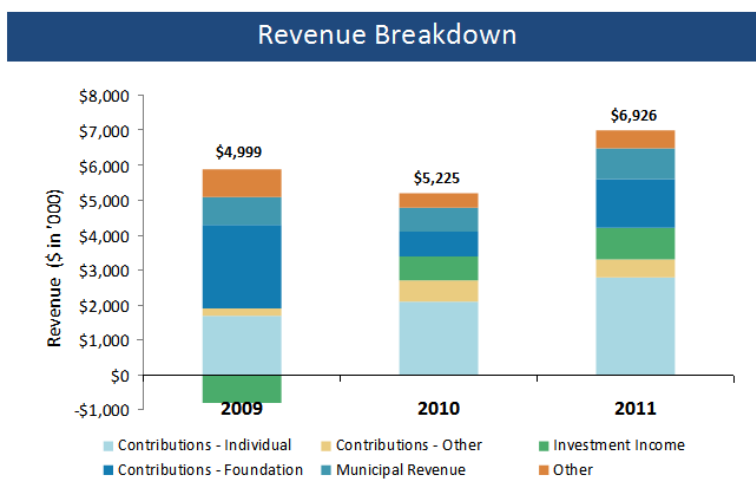
As mentioned previously, active membership has been fairly flat-lined for the past few years. However, the number of volunteer hours has steadily grown each year, from 2,824 in FY07 to 11,670 in FY11. The increase is due to the increased number of volunteers each year, the most notable being from FY09-FY10, where the amount of volunteers jumped by 63%. This coincides with the Clubs’ intentions to provide more personalized and individual attention to each member, as well as to accommodate the existing expansion into more school sites.

TRANSPARENCY

BGCP provides a three-year history of Form 990s on their website, which are reported annually to the IRS. The Form 990 for FY11 is unavailable, however. The preceding six years of audited financial statements are also linked, dating back to FY06. The Clubs distributed a comprehensive report to stakeholders for the latest fiscal year ended June 2011.

FINANCIAL OVERVIEW

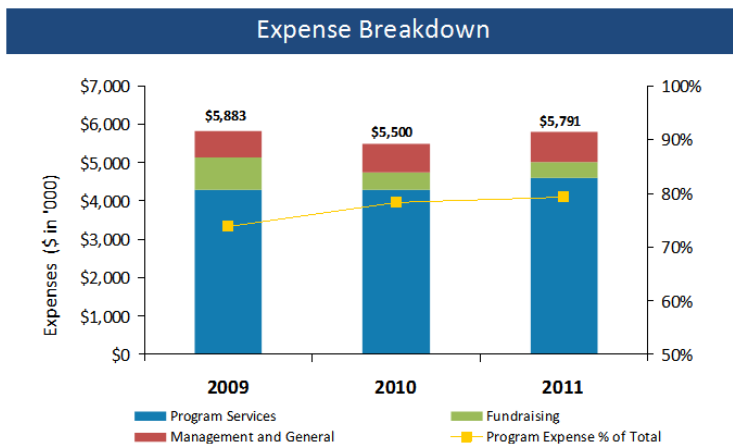
The Boys and Girls Clubs of the Peninsula operate on an annual budget outlined before each fiscal year. Revenue/expense projections, investment performance, and the freeing of assets from restrictions are tailored to the expected needs of the coming year. FY11 carried an operating budget of \$5.5mm, with projections of \$5.9mm to accommodate for 2012. For the growth phase outlined in 2013-2014, BGCP intends to swell that budget to \$10mm/year, eventually pushing to \$12mm after 2015 to serve the additional school sites being erected. For FY11, contributions from individuals and foundations provided 60% of funding, with the remainder coming from government, corporations, and endowment/membership fees.



BGCP acknowledges a risk associated with most contributions stemming from only a handful of investors. For FY08 to FY10, 15-30% of revenue came from less than six entities per year. The Clubs were able to increase their number of new donors by 33% in FY11, with over 80% of revenue received due to the solicitation of board members and BGCP staff. This shows an active involvement on the organization’s behalf and goes hand-in-hand with BGCP’s ability to leverage their existing partnerships with corporations, government, PACS, and philanthropic individuals.

As expected, most of the Clubs’ activities are labor and time intensive, creating a need for trained management and staff. This attributes to the largest expense of the organization, comprising roughly 70% of total expenses for each of the past three years and an average of 93% of program expenses. This is not out of the norm for comparable charities with similar operations.

BGCP provides three versions of revenue and expense calculations in their audited statements, IRS filings, and letter to stakeholders. Discrepancies in net income were significant during comparison; BGCP was unable to be reached in regards to reconciling the differences.



The average cost of serving each student is dependent on age and rate of attendance. A breakdown is given below (note that the numbers do not include support costs such as transportation, administration, and Human Resources):

- \$3,000: year-round member at a clubhouse
- \$1,600: school site operating from grades 9-12 for a whole year
- \$2,000: school site operating from grades K-8 during the academic year
- \$600: school site operating from grades K-8 during the summer

These costs are based on “active” members. While actual daily attendance can be much higher, active members attend the Clubs’ programs fifty times during the school year or fifteen times during the summer. In an average 36-week school year, that is roughly 1.4 times per week. A more consistent presence might provide more compelling results, although NPI recognizes that this may not be feasible for a number of reasons (financial, occupancy constraints, familial obligations/restrictions, etc.). In addition, there are certain costs associated with serving students that participate too sporadically to see the full benefits of membership. Although those resources would not be sunk in a philanthropic sense, it may be worth quantifying the program expenses that are used for attendees who do not make consistent use of the Clubs.

The management of investments, specifically endowment funds, is done on a basis to ensure that required distributions coincide with expected need. The preferred investment vehicles are mutual funds, cash funds, and corporate/domestic stock, with the largest bulk invested in the TIFF Multi-Asset Fund (>95% of total endowment funds). This mutual fund is comprised of 51% of global stocks and 6% high-yield bonds, with the remainder in hedging assets (i.e. inflation-protected securities, cash). Despite this emphasis on hedges, the Clubs’ investable assets suffered much of the same volatility as the U.S. capital markets did in 2008 and 2009. FY08 saw a 10.3% decrease in the endowment portfolio, followed by a 15.9% decrease in FY09. FY10 and FY11 saw a reprieve from the previous years’ losses, gaining 16.2% and 18.5%, respectively, on the decreased asset base. It should also be noted that the Board of Directors has approved this high concentration in the TIFF MAF, citing that it sees the allocation should realize a competitive return comparable to index benchmarks, whereas the TIFF MAF is designed to fight inflation with a CPI benchmark, not an index one. Per their audited statements, BGCP places a greater emphasis on equity-based investments; NPI feels the volatile swings

in investment performance are less-suited for a charity and believes more non-equity, risk-averse allocations would lead to a smaller yearly standard deviation. With a greater focus on debt instruments, e.g. coupon-paying bonds, the organization may be able to predict future cash flows more accurately as well.

Detailed Financial Statements

Fiscal year ended June 30

	2008	2009	2010	2011
Revenue and Expenses (GAAP Accounting Basis)				
Support and Revenues:				
Contributions				
Individuals	\$1,614,170	\$1,715,042	\$2,067,389	\$2,753,040
Corporations	276,351	132,881	332,262	453,165
Foundations	1,333,169	2,361,282	733,005	1,404,839
Civic/other	271,207	42,441	289,337	93,892
Investment Income				
Interest and Dividends	254,765	22,437	10,794	11,631
Realized Gain (Loss) on Sale of Investments	(147,112)	(56,407)		
Unrealized Gain (Loss) on Investments	(443,426)	(774,475)	678,661	859,449
Other Revenue				
Municipal Revenue	816,263	770,492	747,568	884,021
Special Events	708,691	703,535	275,510	404,423
Membership Revenue	66,281	57,514	56,769	50,929
Facility Rental	58,752			
Miscellaneous		24,062	33,417	10,549
Total Support and Revenues:	\$4,809,111	\$4,998,804	\$5,224,712	\$6,925,938
Net Assets Released from Restrictions		1,097,047	1,257,286	714,220
<i>% Growth</i>		3.9%	4.5%	32.6%
Expenses:				
Program Services	\$3,719,616	\$4,342,582	\$4,303,774	\$4,587,081
Management and General	633,677	708,745	747,596	785,955
Fundraising	576,819	831,892	448,234	418,107
Total Expenses:	\$4,930,112	\$5,883,219	\$5,499,604	\$5,791,143
<i>% of Revenue</i>	102.5%	117.7%	105.3%	83.6%
Change in Net Assets (Revs - Exp)	(\$121,001)	(\$884,415)	(\$274,892)	\$1,134,795
Net Assets - Beginning of Year	14,948,087	14,827,086	13,942,671	13,667,779
Net Assets - End of Year	\$14,827,086	\$13,942,671	\$13,667,779	\$14,802,574
<i>% Growth</i>		-6.0%	-2.0%	8.3%

Program Costs as a % of Total Expenses	73.8%	78.3%	79.2%
Salaries, Payroll Taxes, Benefits as a % of Program Expenses	94.2%	92.1%	93.0%
Salaries, Payroll Taxes, Benefits as a % of Total Expenses	69.5%	72.1%	73.6%
G&A as a % of Total Expenses	12.0%	13.6%	13.6%
Fundraising as a % of Total Expenses	14.1%	8.2%	7.2%

*Source: Audited financial statements (GAAP)

THIRD PARTY RATINGS

BGCP holds a ranking of four stars on the charity ranking site Charity Navigator. This designation is the highest given by CN and confirms transparency and accuracy in financial health and reporting. However, CN mistakenly reports the absence of Form 990s on BGCP's website, when links are readily provided by BGCP.

GuideStar, another analysis site that groups and publicizes information on non-profit organizations, gives BGCP their seal of approval, indicating a commitment to transparency. BGCP has no blemishes within GuideStar's system.

GET INVOLVED

BGCP encourages volunteerism on the individual and corporate levels, accepting a variety of donation types. A brief outline of their collaboration structure is listed below:

- Time: tutoring, coaching, life-skills teaching, event-specific assistance
- Monetary: cash donations, tribute gifts, appreciated securities
- In-kind: art/school supplies, event tickets, collectibles, vehicles, real estate
- Planned: estate beneficiary designations, annuities, charitable trusts

In addition to the above, corporate-specific donations can be given in the form of sponsorships, pro-bono services, group volunteering, career guidance, and internships. A donor can also choose a specific focus with their investment, i.e. within a specific arts program, at a specific club site, or for a special event. More information about these opportunities can be found on the BGCP website:

- Donate: http://www.bgcp.org/Master_Donate/donate.php
- Volunteer: http://www.bgcp.org/Master_Volunteer/volunteer.php

DISCLOSURES

Evan Eurich certifies that he does not have any affiliation with Boys & Girls Clubs of the Peninsula and has never made a donation to the organization. Additionally, Evan has not supported directly competing organizations in a greater capacity than a nominal donation. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.

This report is for informational purposes only and does not constitute a solicitation for donations. While the reliability of information contained in this report has been assessed by NPI, NPI makes no representation as to its accuracy or completeness, except with respect to the Disclosure Section of the report. Any opinions expressed herein reflect our judgment as of the date of the materials and are subject to change without notice. NPI has no obligation to update, modify or amend any report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject organization is withdrawn.

Opinions and recommendations in our reports do not take into account specific reader circumstances, objectives, or needs. The recipients of our reports must make their own independent decisions regarding any organization mentioned by NPI.