What Every Reader Should Know

Information compiled in response to questions raised by four U.S. senators in their letter of March 10 is posted here. The questions were answered thoughtfully, truthfully and with full transparency. Because the questions are so diverse, and the answers so focused, it is easy to lose sight of the true character of Boys & Girls Clubs of America, the national organization, and its unique partnership with more than 1,100 local Boys & Girls Club organizations. As an introduction, we offer the following insight into one of America's great and enduring institutions.

Mission-Driven: At its heart, Boys & Girls Clubs of America (BGCA) is a collection of talented, tenacious individuals bonded together by the shared belief in a powerful mission: to enable all young people, especially those who need us most, to become productive, responsible and caring citizens. The decisions we make, and the actions we take, no matter how difficult they may be, are singular in purpose: to benefit local Boys & Girls Clubs and the kids who need us most.

In the 1990s, our mission-driven character propelled us to lead an effort to establish Clubs in the most challenged communities in America, such as public housing and Native American lands, where the work of starting Clubs would be hard, and sustaining them even harder. Yet we were compelled to lead this effort knowing the risks, but driven by the rewards for kids and communities. Likewise it is our DNA that took us to the Department of Defense during the dawn of Desert Storm, to simply say: we are Americans and we want to work together to help the children of the fathers and mothers who have been deployed to fight for our freedom, and so we did.

Compelled to Grow: Never in the 150-year history of Boys & Girls Clubs has our progress been more dramatic than during the last 15 years. In the mid-90s we embarked on a journey to double in size, because too many children in America had too little hope, and even less opportunity. Since 1996, with the strong leadership of BGCA, our network grew from 1,800 Clubs to 4,000; from $438 million in annual collective revenues to some $1.4 billion; from the “best kept secret” to one of the top 10 nonprofit brands in America. We have strategically expanded into public housing and public schools, onto Native American and Native Alaskan lands, and onto U.S. military installations domestically and around the world.

We have led our Clubs and communities to create opportunities for young people where there were none: a safe place to learn, grow and have fun; state-of-the-art technology centers and learning centers; and, most important of all, trained professional staff who care deeply and are dedicated to the success of every child who walks through the door of a Boys & Girls Club. The past decade has been transformational in terms of impact on communities and children who would have otherwise remained unserved if not for this intention and commitment.
$1 Billion (and Counting) for Clubs: Doubling our reach, while a significant accomplishment, is more than an ambitious goal. For BGCA, it represents a long-term commitment. To double in size, the national organization needed to assume the responsibility of both expanding its services to a growing network of Clubs, and securing the funds necessary to seed this growth, funds that ultimately came from the federal government.

But securing federal dollars for growth was just the beginning. In addition, Boys & Girls Clubs of America began the strategic, entrepreneurial work of creating new public and private revenue streams to secure funds for Clubs. As a result, since 1996, BGCA has generated more than $1 billion to start, support and strengthen local Clubs. In 2009 alone, the national organization generated more than $150 million for Clubs.

BGCA created an entire new service to generate state funding for our Clubs, and another new service that helps Clubs become more effective at fundraising. At the same time, BGCA expanded the work of its national fundraisers to include generating significant pass-through funds for local Clubs. The determination to build these teams, which today are generating significant funding for Clubs, was made possible by the foresight and planning of BGCA’s board and executive leadership, as well as the relentless desire to support Clubs and kids.

Sustaining Clubs in Tough Environments: As BGCA set out to significantly expand the reach of local Boys & Girls Clubs, we did so with a clear and intentional emphasis on those communities most in need of youth development programs and services. In taking on this challenge, we knew that, true to our historic mission of serving young people from disadvantaged circumstances, we were entering some extremely difficult environments, where few other organizations or services were present. While we knew the risks, we were driven by the rewards for kids and communities.

As with any initiative of this size and scope, there were associated inherent challenges, such as Club closures, along the way. The reasons for Club closures are varied, but include: the vulnerability of operating in non-owned facilities; changing neighborhood demographics that lead to mergers and consolidations; failure to meet BGCA operating standards; and lack of diversified, sustainable funding streams.

Through the support of the federal government, BGCA has provided significant pass-through funding to seed the growth of new Clubs. In concept, the majority of operating expenses must be raised locally. In some cases, however, sites close due to the inability to secure a sustainable local funding stream. While some 1,000 Clubs closed during the past 14-year period, 75 percent of the new Club start-ups remain in operation today. Of the Clubs that have closed since 1996, they were, on average, open and operating for five years prior to closing. Despite Club
closures, we are proud to say that BGCA met every goal for every federal authorization where funding was fully appropriated.

While BGCA does not open or close Clubs, we work with local affiliates and community leaders to help establish Clubs. We also work aggressively in conjunction with local leaders to minimize Club closures through a number of strategies, including generating funds. In 2009, these efforts prevented more than 120 Club closures.

BGCA raises funds from both the public and private sectors to support local Clubs. In 2008, BGCA generated $139 million; in 2009, more than $150 million (despite the toughest economic conditions in recent memory).

Responsible Stewards: The responsible stewardship of donor dollars is the guiding principle behind everything Boys & Girls Clubs of America does when providing services and creating value for our Clubs and kids. Year in and year out, the percentage of the national organization’s expenses that are directed to programs and services exceeds 80 percent (83 percent in 2008, and 85 percent in 2009), meriting a solid rating from the Better Business Bureau and other monitoring organizations. Whether creating services that eliminate costly inefficiencies from the entire Boys & Girls Club system, evaluating national youth development programs and BGCA services to ensure they are having the desired impact on local Clubs and youth, or helping Clubs leverage their pass-through dollars to generate more revenue locally to support operations, BGCA remains focused on making Clubs stronger to ensure that local communities can provide and sustain the greatest level of service to young people.

This focus on stewardship is driven by the Board of Governors of Boys & Girls Clubs of America. The board’s philosophy of governance is rooted in the importance of engagement and oversight. Every board member serves on one or more committees, attends meetings and personally supports the organization. They visit local Clubs to deepen their understanding of our mission, and its associated challenges and issues. Many are directly involved with local Clubs in their communities. It is no exaggeration to characterize our Board of Governors as one of the most effective, engaged and prestigious boards in the nonprofit world.

Value to Society: In everything the national organization undertakes, its bottom line is impact: impact on Clubs and impact on kids. We entered our partnership with the federal government with the intention of making Boys & Girls Clubs the program that would deliver the highest achievable return on investment for the taxpayer dollar. We believe this result has been achieved.

A 2006 study by Mercer Delta, an independent global consulting firm,
documented that federally-funded new Club grants of $8.3 million in 1998 helped to generate an additional $129 million (cumulative) in non-grant income over the five years of operation that followed. A 2002 Report by the U.S. Senate Subcommittee on Crime and Drugs found that juvenile crime and arrests decreased across the country in neighborhoods with Boys & Girls Clubs, even while juvenile crime in other parts of the city increased, stayed the same or decreased at a lesser rate.

Perhaps the most compelling evidence of the true impact of the Club experience comes from those who know best – our former members. A Harris Interactive survey of Boys & Girls Club alumni found Boys & Girls Clubs have made an enduring impact on many, as seen in the following responses:

- 28% said: “I would have dropped out of high school if not for the Club.”
- 67% said: “The Club helped me avoid difficulty with the law.”
- 57% said: “The Club saved my life.”

It is difficult to place a monetary value on the return on investment realized by the federal government through its partnership with Boys & Girls Clubs of America. In every location where a new Club was established – whether in public housing, an elementary school, on a Native American land, on a military installation, in an urban or rural community – young lives were saved and changed, future citizens and leaders emerged. Perhaps most importantly, Clubs are helping to make the once elusive goals of graduating from high school and going to college realities for generations of America’s youth.

# # #
Dear Senators Grassley, Coburn, Kyl and Cornyn:

Boys & Girls Clubs of America welcomes the opportunity to respond to the questions set forth in your letter dated March 10, 2010. As previously stated, Boys & Girls Clubs of America is most grateful for the support provided by Congress over the years, which has helped us pursue our critical mission to reach and serve young people, especially those who need us most. With Congress’ help, we have been able to change and save countless young lives.

Boys & Girls Clubs of America (BGCA) fully recognizes and appreciates the oversight responsibility of the U.S. Senate Judiciary Committee, and the role of its members in reviewing the allocation of taxpayer dollars. In fact, BGCA views this process as a unique opportunity to demonstrate to you and the Committee our core promise to the nation: to uphold the highest ethical standards and be responsible stewards of donor and taxpayer dollars. At the same time, we view this as an opportunity to look for ways to continuously improve and strengthen our effectiveness and efficiency. As an organization, we are committed to ongoing and sustained quality improvement in all that we do, especially in our delivery of service to local Clubs and communities.

As you will read in this document and the accompanying exhibits, Boys & Girls Clubs of America’s Board of Governors is extremely engaged. They take their fiduciary, oversight and strategic responsibilities very seriously. With regard to this response, many of the Board members, including myself, have participated in the process of responding to your letter. We are pleased to provide responses to the vast majority of the questions. Please note however, there are two areas where our board is still engaged in providing review and input. Please rest assured that the consultation, collaboration and review process with these Board members is already underway and as BGCA’s General Counsel informed the staff in her recent emails, BGCA will furnish you with a complete response to these outstanding items on or before April 20, 2010.
Our hope is that once you have a chance to review this response and the corresponding documentation, you will not only be fully comfortable with our operations and governance, but will continue to strongly support our important mission to enable all young people, especially those who need us most, to reach their full potential as productive, caring, responsible citizens.

Before responding item by item to the specific areas of inquiry set forth in your letter, we would like to provide some general background information regarding BGCA’s remarkable history, explain the role of Boys & Girls Clubs of America in relation to the local Boys & Girls Club member organizations, provide a chronology of our federal funding and respond to particular areas of concern raised in your letter.

**History of Boys & Girls Clubs of America**

The very first Club, and the foundation for our Movement, was the Dashaway Club in Hartford, Connecticut. The Dashaway Club was established in 1860. Like many of their peers living in cities across the country, Hartford’s economically disadvantaged children of the time led lives that were short on adult guidance and long on juvenile crime. The Dashaway Club offered a safe haven for these children, primarily boys, where they received meaningful adult supervision and had access to a range of programs and activities. With the Dashaway Club, Hartford’s young boys had an alternative to the streets and their lives changed for the better. That year the mission of our Movement was born.

The Club concept spread across New England, and in 1906 the leaders of the existing 53 Clubs came together to establish a national organization that would do for Clubs what they could not readily do for themselves, and grow the Boys Club mission and message across the country. The national organization was named the “Boys Clubs of America”, later becoming the Boys & Girls Clubs of America.

In the 1950’s President Herbert Hoover issued a challenge to Boys’ Clubs of America to reach an ambitious national goal of 1,000 Clubs serving 1 million boys. In 1972 the goal was met. In 1956, in recognition of the 50th anniversary of the founding of the national organization, President Dwight Eisenhower signed Public Law 988 of the 84th Congress of the United States, granting a Congressional Charter to Boys’ Clubs of America, further solidifying the status of the Clubs as an important part of the American landscape. In 1996, with the support of Congress, Boys & Girls Clubs of America (the mission and name officially expanded in 1990) began a growth initiative resulting in more than 4,000 Clubs in urban and rural areas, on Native American and Native Alaskan lands, in public housing and public schools, and on U.S. military installations in the United States and across the world.

Though the times have changed over the last 150 years, our mission remains the same – to enable all young people, especially those who need us most, to become productive, responsible, caring citizens. We know that the lives of millions of young people have been transformed because of Boys & Girls Clubs, its dedicated staff and volunteers at the national and local level, and proven programs offered to youth in the safe environment that Club members often call their second home.
A 2007 Harris Interactive study of Boys & Girls Club alumni validates the Boys & Girls Club mission and illustrates the positive impact our Movement has had on young people. The Harris findings indicated that alumni believe the Club:

- Taught them right from wrong (85%)
- Kept them out of trouble with the law (67%)
- Prevented them from dropping out of high school (28%)
- Saved their life (57%)

Boys & Girls Clubs are one of American’s great and enduring institutions. The Boys & Girls Clubs federation, with its size and scale today, has the capability to change and save countless young lives, improve communities, help keep America strong and uphold the ideals that make America great.

**The Role of Boys & Girls Clubs of America**

The Boys & Girls Club federation (sometimes referred to as the Movement) comprises the national organization, Boys & Girls Clubs of America, and more than 1,100 independent local Boys & Girls Club organizations with collective revenues in 2008 of $1.3 billion. These local, autonomous organizations are independent 501(c)(3) legal entities which in 2008, operated some 4,300 Boys & Girls Club sites throughout the country and on U.S. military installations worldwide. Each of these local Boys & Girls Club organizations is established as a freestanding corporate entity (separate from the national organization) and is governed by a local Board of Directors, selected at the local level and comprised of community and business leaders who are responsible for the operations, finances, programs, facilities and personnel of these local organizations. Boys & Girls Clubs of America does not control the day-to-day activities or operations of the local organizations. Rather, consistent with the mission with which it was charged in 1906, and as described more fully below, the national organization provides vital support to the local Clubs in the form of programs, services, resources and strategic leadership.

The role and activities of the national organization are directed at three distinct areas designed to enhance the work of the local Clubs in the Boys & Girls Club Movement:

**Providing Vital Services to Local Clubs and Communities**

Boys & Girls Clubs of America staff members provide vital services and assets to local Clubs. Without the existence of the national organization, these local Clubs would have to procure or develop programs and services themselves, diverting precious time and resources from the young people who need them most. The national organization provides the local Clubs with a wide array of resources, tools, training and technical assistance in the areas of organizational development, youth development programs, child and Club safety, training and professional development, resource development, marketing and communications, government relations, human resources, financial management, and information technology.
Establishing New Boys & Girls Clubs

Boys & Girls Clubs of America works with local community leaders to plan for and establish new Clubs. For example, subject to their availability, the national organization will provide "pass-through funds" acquired through federal programs to seed growth and issue charters (official membership in Boys & Girls Clubs of America) to those organizations and Club sites that meet established membership requirements and operating standards. In 1996 Congress first Authorized BGCA (P.L.104-294) to establish an additional 1,000 Clubs by 2001. This was undertaken in recognition of Clubs being a positive force in the communities they serve. **With the support of Congress, Boys & Girls Clubs of America has led an aggressive growth agenda, more than doubling the number of local Clubs.**

This growth has focused on young people who need us most. By reaching out to America’s most distressed communities, BGCA helped establish more than 400 Clubs in public housing and 210 Clubs on Native American lands. Through a partnership with the Department of Defense, BGCA has helped establish new Boys & Girls Clubs in 383 youth centers for the dependents of military personnel on installations located in the United States and overseas. These Clubs, devoted to the youthful dependents of our armed forces personnel, provide vital and critical services at a time of great need.

To foster accelerated and efficient growth, avoid the need for large capital investments at the local level, and keep the overhead costs associated with operating a Club as low as possible, many of the new Clubs have been located in facilities owned by third party organizations with which the Boys & Girls Clubs enters into a cooperative partnership. For example, today more than 1,000 Boys & Girls Clubs are located in schools.

Creating Value for Local Boys & Girls Clubs

Belonging to Boys & Girls Clubs of America enables local Clubs to take advantage of a wide array of vital services provided by the national organization, many of which the local Clubs themselves would otherwise have to procure or provide. In addition, BGCA creates value for local Clubs beyond its traditional services by obtaining funding from various sources, including funding authorized by Congress and state governments, as well as securing contributions from other sources including private foundations, prominent corporate partners and other sources of philanthropic giving. In 2008, BGCA generated more than $139 million in financial support for local Clubs from federal pass-through funding, private sector pass-through funding and state funding. For the local Clubs, this constitutes a 23:1 return on the $6.1 million in dues that local organizations paid to the national organization in that same year to participate officially in the Boys & Girls Club Movement.

Additionally, BGCA provided significant intangible and in-kind value, including assisting Clubs in identifying and closing $27 million in planned gift expectancies, providing technology hardware and software, and creating extensive brand awareness through marketing campaigns and high-visibility partnerships, such as our 13 years as the official charity of Major League Baseball.

See Exhibit 1 for a full description of the services BGCA provides to local Clubs.
History of Federal Funding for Boys & Girls Clubs of America

Original Authorizations

Congress first authorized Boys & Girls Clubs of America in 1996 (Public Law 104-294) to receive financial resources in the form of seed money to establish 1,000 additional local Boys & Girls Club sites in public housing projects and other distressed areas by 2001. This goal was achieved. BGCA received a reauthorization from Congress in 2002 (Public Law 107-273) for the purpose of having 4,000 Boys & Girls Clubs in operation by 2007. Again, this goal was achieved.

Current Authorization

A third authorization was granted in 2006 (Public Law 108-344) that would authorize $80 million to BGCA in FY 2006 and increase to $100 million in FY 2010 with the purpose of establishing not less than 5,000 Clubs. So far, 2006 was the only year of this five-year authorization for which an appropriation was made. Of the $450 million authorized to reach 5,000 Clubs, only $85 million was appropriated.

In 2007 and 2008, two significant changes occurred. First, beginning in 2007 appropriations from Congress ceased and Boys & Girls Clubs of America had to apply to the Department of Justice for a competitive pool of funding. Second, in 2008, the competitive funding pool provided grants (administered by the Department of Justice) primarily for Youth Mentoring, not the growth and expansion of Boys & Girls Clubs. As a result, the funding awarded to Boys & Girls Clubs of America from the competitive pool carried with it specific requirements that it be expended primarily for the purpose of Youth Mentoring, not Club growth.

The alteration of the purpose for which federal funds could be permissibly expended, coupled with the effects of the economic recession on non-profit fundraising generally, meant that extensive Club growth was no longer economically feasible or, for that matter, responsible. Had the funding for this last authorization been fully appropriated in each of the last four years, we believe the BGCA federation would be poised to achieve the FY 2010 goal of 5,000 Clubs.

Proposed Authorization

The fourth authorization BGCA is seeking (S.2924), The Boys & Girls Clubs Centennial Reauthorization Act of 2009, continues to focus on providing services to young people from distressed communities, with an emphasis on programs and strategies to prevent youth from joining gangs, dropping out of school and using drugs and alcohol. Given the focus of Congress on youth mentoring in recent years and the current economic climate, BGCA believed it prudent that the reauthorization legislation focus on these important programmatic priorities, while also including the potential for strategic growth.

Federal Funds as a Component of the Boys & Girls Clubs of America Budget

One of the areas of inquiry raised in your letter is that according to our 2008 Form 990, federal funds appear to comprise almost 40 percent of BGCA’s revenues. It is important to understand that while BGCA received more than $40 million in government grants in 2008, a full 91 percent
($36,885,993) of these federal funds were provided directly to local Boys & Girls Club organizations for their use consistent with the terms of the funding. The funds retained by Boys & Girls Clubs of America were used to award and monitor nearly 2,000 local organization grants and help ensure compliance with all federal accounting and reporting requirements. Therefore, the federal funds actually retained by BGCA in 2008 made up approximately 3.3 percent of BGCA's total revenue of $107,150,617 as reported in the Form 990. No portion of these funds was used for CEO compensation, other executive compensation or lobbying.

Furthermore, as will be shown in more detail in Part IX, question 2, because of the high percent of pass-through to Clubs (91 percent) and direct grant-related expenses, of the amount retained by BGCA, only a small percentage was for allowable indirect costs. This resulted in BGCA using significant amounts of its own unrestricted dollars (more than $3 million) for indirect costs to supplement the federal award and administer the grant. See Exhibit 29 for further explanation.

Your Question Regarding the Form 990’s Reference to a $13.1 million Loss

Boys & Girls Clubs of America is financially well-managed and remains in a strong financial position. Your letter states “The 990 also shows that BGCA posted over a $13 million loss”. While we recognize the reported “loss” in the Form 990, the national organization’s operational result for the 2008 fiscal year, as shown in our audited financial statements, is quite different. This disparity is primarily due to the accounting rules under the Financial Accounting Standards Board (FASB) 116, which require an organization to recognize a grant or pledge as revenue in the year the grant or pledge was made, despite the fact that the cash from the grant or pledge may be realized in a later period, and the purpose for which the grant was given may also occur (and incur expenses) in a future period.

Like many nonprofits that receive large multi-year grants, BGCA experiences great volatility in its reported “surplus or deficit for the year” in its financial statements and the Form 990 because of the accounting rules applicable under FASB 116. BGCA was the recipient of several large multi-year pledges in the years prior to 2008, which were reported as revenue in those years. However, some of the related restricted expenses from these pledges were incurred and recorded in 2008 as expenses. Since the Form 990 does not recognize this “mismatch” in the timing of recording income and corresponding expenses, it does not reflect a traditional operational “surplus or deficit” for the fiscal year 2008. Furthermore, the Form 990 also does not take into account as a source of revenue the transfers of investment income to BGCA’s operations, in accordance with spend rate policies established by the Board of Governors.

We understand that without the benefit of this explanation or an understanding of the impact of FASB 116, the reference to a $13.1 million loss in the organization's Form 990 could lead one to conclude that the organization had experienced an operational loss of this magnitude. However, as is evident from BGCA’s audited financial statements, audited by KPMG, LLP, BGCA’s reported result from operations for the 2008 fiscal year is approximately a $13,000 loss, essentially a break-even result, during a very difficult fundraising environment. This difference is explained fully in Exhibit 2 and is supported in BGCA’s audited financial statement, relevant portions attached as Exhibit 3. We sincerely hope that this understanding provides you and your staff with an explanation of the reasons why one should not conclude from the organization’s Form 990 that it suffered an actual $13.1 million operating deficit in 2008.
Discussion in Responses to Enumerated Questions

Again, Boys & Girls Clubs of America welcomes the opportunity to provide detailed information and clarification for all the questions contained in your letter. As you consider the following responses to specific inquiries, please keep the following in mind:

- In 2008, there were more than 1,100 local Boys & Girls Club organizations, each an independent 501(c)(3) corporate entity. Each local organization had one or more Club sites (totaling some 4,300 Club locations). Throughout this response, the phrases "local Boys & Girls Club organization(s)" or "local organization(s)" refer to the separately incorporated Boys & Girls Club organizations. Individual Club locations that operate under the umbrella of a Boys & Girls Club organization are referred to as "Club sites."

- Collectively, Boys & Girls Clubs of America (the national organization) and the local Club organizations, including their Club sites, are sometimes referred to as the "Boys & Girls Club federation" or "the Movement." In this response, the national organization is also referred to as "BGCA."

- The local organizations control their daily operations, including but not limited to: safety; compliance with federal, state and local laws; physical facilities; finances; policies and programs; personnel policies and decisions; and opening and closing Club sites. Boys & Girls Clubs of America oversees the local organizations’ compliance with membership requirements and operating standards, and provides vital services to the local organizations, described more fully below.

- Except in those requests that specifically designate otherwise, Boys & Girls Clubs of America is responding to all requests for fiscal year 2008 and in relation to the cited portion of the 2008 Tax Form 990.

Below please find responses to your specific inquiries (set forth in italics) and supporting documentation, enclosed as Exhibits.

BGCA, 2008, Tax Form 990:

Part III, Statement of Program Service Accomplishments

If the amounts authorized by S.2924 are fully appropriated, BGCA would receive $85 million per year in federal funds. It is not clear what BGCA’s role is in the daily activities of individual clubs.

A comprehensive review of BGCA’s role in support of the daily activities of Clubs appears in Exhibit 1.

In relation to any future appropriations, BGCA also has a comprehensive role. In addition to passing through no less than 90 percent of appropriated funds, BGCA’s role includes the administration of the federal funding; programmatic support, training and technical assistance to
achieve the goals of the grant; programmatic and financial oversight; and helping to assure compliance with all federal rules and regulations.

To help ensure responsible stewardship of the federal funding, BGCA would:

- Develop a program plan, including performance metrics, and program resources, tools and trainings to help Clubs achieve these metrics.

- Develop criteria and administer an application process and thorough review process for local organizations to seek funding.

- Determine pass-through grants through a review process, to include board and committee approvals for grants over a specified amount; and issue letters of agreement containing clear programmatic, financial and administrative accountabilities, including sustainability.

- Pass through no less than 90 percent of the total federal funding appropriated.

- Provide materials, training and technical assistance to all local Club grantees to help them achieve performance expectations of the grant and develop a sustainability plan to assure continuation of the funded program.

- Monitor local organizations’ grant activities and expenses, including third party financial and compliance reviews of select Boys & Girls Club organizations.

- Serve as the liaison to the appropriate federal agency and prepare and submit programmatic and financial reports that incorporate the collective progress on performance goals and related financial reports.

1. *Provide the criteria that BGCA uses to evaluate the grantee’s performance and ensure compliance of grant requirements/regulations.*

**RESPONSE**

To help ensure grantees’ compliance with grant requirements, Boys & Girls Clubs of America carefully communicates, establishes procedures, provides training and technical assistance, and monitors compliance of grant requirements and grant performance by local Boys & Girls Club organizations (sub-recipients or grantees). Working closely with the granting agencies, BGCA has developed numerous systems and processes, measures and criteria to manage and evaluate grant performance.

For example, prior to the transfer of any funds of federal origin, BGCA develops a funding announcement and Club grant application, determines selection criteria and the selection process. During the grant period, BGCA conducts ongoing grants administration, education, training and technical assistance for local organizations, and executes financial report management and reimbursement processing. Both during and after the grant period, BGCA helps assure grant compliance and is responsible for: reporting grant performance to the federal government;
facilitating sub-recipient technical assistance site visits; and providing ongoing federal grant program management, enhancements, and administrative systems.

These processes can be divided into the following categories: Federal Grants Administration Processes; Procedures and Controls; Grant Program Requirements; and Grant Performance Measures, which are explained in detail in Exhibit 4. Jointly, these processes demonstrate the strict criteria and high level of evaluation undertaken to ensure the grantees’ performance and compliance with grant requirements/regulations.

2. Provide a detailed explanation of the activities of the BGCA, including whether and how BGCA engages in direct service.

RESPONSE

As stated above in 2008, the Boys & Girls Club Movement is made up of the national organization, Boys & Girls Clubs of America, and more than 1,100 independent local Boys & Girls Club organizations with collective revenue of $1.3 billion in 2008. These local, autonomous organizations are independent 501(c)(3) legal entities which in 2008 operated some 4,300 Boys & Girls Club sites throughout the country and on U.S. military installations worldwide. Each of these local Boys & Girls Club organizations is governed by a local Board of Directors comprised of community and business leaders who are responsible for the operations, finances, programs, facilities and personnel of these local organizations. Boys & Girls Clubs of America does not control the day-to-day activities or operations of these local organizations. Rather, BGCA is charged with providing assistance and leadership to local Boys & Girls Clubs in three main areas of focus:

Providing Vital Services to Local Clubs and Communities

Boys & Girls Clubs of America staff members provide resources, tools, training and technical assistance to local Clubs in the areas of: organizational development, youth development programs, child and Club safety, training and professional development, resource development, marketing and communications, human resources, government relations, financial management, and information technology.

Establishing New Boys & Girls Clubs

Boys & Girls Clubs of America works with local community leaders to plan for and establish new Clubs, provides pass-through funds to seed growth (subject to availability) and extends charters (membership in Boys & Girls Clubs of America) to those that meet established membership requirements and operating standards. These standards are set forth in the Constitution of Boys & Girls Clubs of America, Exhibit 13. Since 1996, with the support of Congress, Boys & Girls Clubs of America has led an aggressive growth agenda, more than doubling the number of local Clubs. This growth has focused on young people who need us most, by reaching out to America’s most distressed communities, resulting, for example, in more than 400 Clubs in public housing and 210 Clubs on Native American lands. Through a partnership with the Department of Defense, BGCA has established Boys & Girls Clubs in 383 youth centers on military installations in the United States and overseas, providing vital services to the children of our nation’s armed forces. In an
effort to reduce overhead costs, much of the Boys & Girls Club Movement’s growth has taken place in non-Club-owned facilities through community partnerships. For example, today more than 1,000 Boys & Girls Clubs are located in schools.

Creating Value for Local Boys & Girls Clubs

Belonging to Boys & Girls Clubs of America enables local Clubs to take advantage of a wide array of vital services provided by the national organization. In addition, BGCA creates value for local Clubs beyond its traditional services, in the form of funding and other valuable in-kind contributions. In 2008, BGCA generated more than $139 million in financial support for local Clubs from federal pass-through funding, private sector pass-through funding and state funding. This represents a 23:1 return on the $6.1 million in dues paid by local Clubs to BGCA during that year.

Additionally, BGCA provided significant intangible and in-kind value, including assisting Clubs in identifying and securing $27 million in planned gift expectancies, providing technology hardware and software, and creating extensive brand awareness through marketing campaigns and strategic partnerships, such as our 13 years as the official charity of Major League Baseball.

All of these critical areas of service by Boys & Girls Clubs of America are outlined in greater detail in Exhibit 1. An organizational chart is attached as Exhibit 5.

3. Line 4a
   a. Provide a list of the Boys & Girls Clubs opened and closed, and their locations, since BGCA first began receiving federal funds.

RESPONSE

Background

Congress first authorized Boys & Girls Clubs of America in 1996 (Public Law 104-294) to receive financial resources in the form of seed money to establish 1,000 additional local Boys & Girls Club sites in public housing projects and other distressed areas by 2001. This authorization was fully funded and the goal was achieved.

BGCA received a reauthorization from Congress in 2002 (Public Law 107-273) for the purpose of having 4,000 Boys & Girls Clubs in operation by 2007. Again, this authorization was fully funded and the goal was achieved.

A third authorization was granted in 2006 (Public Law 108-344) that would authorize $80 million to BGCA in FY 2006 and increase to $100 million in FY 2010 with the purpose of expanding to 5,000 Clubs in operation. So far, 2006 was the only year of this five year authorization for which an appropriation was made. Of the $450 million authorized, only $85 million was appropriated.

Boys & Girls Clubs of America was on pace to reach the goal of 5,000 Clubs. Had this most recent authorization been fully funded each year we would have been successful in accomplishing this goal. Instead, in 2007 and 2008, two significant changes occurred. First, in 2007 appropriations
ceased and Boys & Girls Clubs of America had to apply to the Department of Justice for a competitive pool of funding; second, at year end in 2008, this competitive funding pool provided grants primarily for Youth Mentoring as opposed to growth. As a result, funding received by BGCA in late 2008 and 2009 was intended for Youth Mentoring deliverables, not growth. Because of this shift in federal direction and the effects of the economic recession on nonprofit fundraising generally, Club growth was no longer economically feasible or responsible.

Club Openings and Closures

Since Boys & Girls Clubs of America’s original authorization in 1996, Regional Service Directors have worked with local community leaders to establish 4,243 new Club sites. This growth has been primarily focused on distressed communities and reaching out to those who need us most.

It is important to note that, while Boys & Girls Clubs of America works with these local leaders to plan for and establish new Clubs, provides pass-through funds to seed growth (subject to availability), and extends charters (membership in Boys & Girls Clubs of America) to those that meet established membership requirements and operating standards, the ultimate decision to open or close Clubs is made by the local Boards of Directors who govern local organizations.

In an effort to maximize resources and encourage community collaboration, many of these new Clubs have been established in non-Club-owned facilities (e.g. schools, public housing facilities, community centers, military bases, etc.). This allows for a quicker start up and avoids costly capital investments. While this approach provides great opportunities to reach additional young people and encourages local partnerships, it also increases the vulnerability of the Club site. The Club is dependent on the “landlord” of the facility (school system, Housing Authority, local government) allowing them to continue operations. Of the 4,243 new Club sites opened since 1996, 388 have been closed due to the loss of non–Club-owned space, including military base realignments and closures. This issue represents the single largest reason for Club closures.

There are also situations where local organizations that operate multiple Club sites determine that they can serve certain communities more effectively and efficiently through the consolidation of sites. This often results in a decrease in overhead and administrative costs and allows for a more robust slate of programs. Since 1996, 123 Club sites have been closed as a result of consolidating with another nearby site.

In the event that a local organization or Club site falls below the established minimum requirements for membership or operating standards, the national organization has the authority to remove the Club from membership in Boys & Girls Clubs of America. Of the 4,243 new Club sites opened since 1996, 149 have been closed for failure to meet the minimum requirements for membership in Boys & Girls Clubs of America.

The federal funds received by Boys & Girls Clubs of America and passed through to local Clubs have been vital in seeding the growth of the Boys & Girls Clubs Movement since 1996. These dollars have been critical in establishing new Clubs, providing mentoring programs, and supporting other deliverables as determined by the granting government agency. However, the burden of raising adequate resources to ensure the sustainability of local Club sites and programs falls on the
local organization and its community. Adequate funding typically includes a variety of sources, such as: individuals, corporations, foundations, United Ways, special events, in-kind contributions and local, state and federal government. This challenge of securing adequate resources can be particularly difficult in rural communities and on Native American lands where private sector resources are scarce. In recognition of this challenge, Boys & Girls Clubs of America created the Resource Development Club Services team. These national staff members provide resources, tools, trainings, and hands-on assistance to local organizations in planning and implementing annual giving campaigns, with an emphasis on individual giving. Since the inception of this team in 2005, individual giving to local organizations has increased by 65%.

While the vast majority of local Club closures are for reasons other than funding, there are, unfortunately, instances where a local Board of Directors is unable to secure the necessary resources to maintain a Club site's operations. As with any organization, effective leadership is the key to success for local Boys & Girls Clubs. If a local organization does not have strong professional leadership and an engaged Board of Directors made up of local community and business leaders, then fundraising is extremely difficult. Boys & Girls Clubs of America is highly focused on helping local Clubs recruit, develop, and retain strong leaders at both the professional and board levels. There are also circumstances beyond the control of local leaders (e.g., the loss of a major local employer) that lead to financial woes. Historic events such as the economic impact of the terrorist attacks in 2001 and the recent economic recession have also had a significant effect on local fundraising. Of the 4,243 new Club sites established since 1996, 363 have closed for lack of adequate funding.

Boys & Girls Clubs of America is aggressively implementing strategies to assist local organizations during these challenging economic times. In 2009, through the work of Regional Services Directors and other BGCA services, we were able to prevent the closure of over 120 struggling Club sites. When a local Club site closes, regardless of the reason, Boys & Girls Clubs of America’s Regional Service Directors work diligently with local leaders to explore all possibilities for Club members to be served by another organization in the community.

A complete list of Boys & Girls Clubs opened and closed, and their locations, since BGCA first began receiving federal funds, appears in Exhibit 6.

b. Provide the criteria for opening and closing clubs. How does BGCA define “existing and emerging areas of distress where the nation’s neediest children and family reside”? How many communities has BGCA identified for new clubs or expansions that have not occurred because of a lack of funds?

RESPONSE

Criteria for Opening and Closing Clubs

As outlined in the previous section, Boys & Girls Clubs of America’s Regional Service Directors are responsible for working with communities to help establish new Boys & Girls Clubs. BGCA does not open and close Clubs. Rather, BGCA facilitates the planning process, provides technical assistance, passes through funds (subject to availability) and issues charters when membership requirements and operating standards are met. The decision to close a Club is a local decision. The only authority BGCA has to close Clubs is in circumstances where membership requirements
and operating standards are not met. In such cases, BGCA has the authority to revoke a charter. The local organization would cease using the Boys & Girls Club name and no longer receive the services of BGCA. When a new Boys & Girls Club is established every effort is made to establish the new site under the umbrella of an existing local Boys & Girls Club organization. If this cannot be done due to the lack of an existing organization in close proximity, or limited capacity on the part of an existing organization, the new Boys & Girls Club is established as a separate independent organization and chartered as a Club site.

Boys & Girls Clubs of America charters both new Boys & Girls Club organizations (a separately incorporated 501(c)(3)) and new Club sites (individual Clubs operating under the umbrella of an existing Boys & Girls Club organization). There are very specific criteria for both of these chartering processes, which are outlined in Exhibit 7.

In addition, there are specific criteria an organization or a Club site must meet in order to maintain its charter, which are also outlined in Exhibit 7 and defined more fully in the Constitution, Exhibit 13. Boys & Girls Clubs of America has the responsibility to uphold articles and provisions of its Constitution. As a result, if any member organization or site does not meet membership requirements or operating standards, BGCA may terminate, put on provisional status, or otherwise place restrictions on the organization. The authority of BGCA to revoke charters is limited to upholding membership requirements and operating standards. However, a local Boys & Girls Club organization’s governing board, given the scope of its authority, can make the decision to close any Club site and/or the organization.

Definition of Areas of Distress

In the context of federal funding prioritization and determination, Boys & Girls Clubs of America defines “existing and emerging areas of distress where the nation’s neediest children and families reside” in accordance with the related federal legislation (P.L. 104-294 et al.; 42 U.S.C. § 13751), the Public Health Service Act (42 U.S.C. 290bb-23 [g]), and the U.S. Department of Justice, Office of Justice Program’s SMART System. The legislation states that a “distressed area” is defined as an urban, suburban, rural area, or Indian reservation with a population of high-risk youth. A high-risk youth is someone under the age of 21 who is at high risk of becoming, or who has become, a drug abuser or an alcohol abuser, and who is identified as a child of a substance abuser; is a victim of physical, sexual or psychological abuse; has dropped out of school; is economically disadvantaged; has committed a violent or delinquent act; has attempted suicide; or has experienced chronic failure in school.

A summary of the above-named resources and how Boys & Girls Clubs of America applies them to their definition of the existing and emerging areas of distress can be found in Exhibit 8. Also set forth in Exhibit 8 is a chart showing the breakdown of the percentage of Clubs in disadvantaged communities in 2008, according to the SMART Community Disadvantage Index (CDI).

Potential Club Sites Not Opened Due to Lack of Funds

Funding is one of many factors involved in the successful opening of a new Club or expansion of services on the local level. Boys & Girls Clubs of America’s Regional Service Directors work with local community leaders to ensure that all necessary steps are implemented, including site
selection, staff recruitment, volunteer engagement, program development, etc. Since 1996, BGCA’s partnership with the federal government has provided significant start-up funding for the establishment of new Club sites and the expansion of services on the local level, particularly in distressed communities. This partnership has resulted in more than doubling the number of Club sites. While Regional Service Directors continue to work to identify strategic growth opportunities, Boys & Girls Clubs of America is not aware of any new Club site or expansion plans that have not occurred solely due to a lack of funding. However, Boys & Girls Clubs of America continues to work with local community leaders and existing Boys & Girls Club organizations to identify strategic growth opportunities in areas of need, such as neighborhoods with low-performing schools.

c. Provide detailed information about the grants awarded and expenses incurred for each of the following: New Clubs Funding, Sustainability and Capacity Building, Anti-Gang and Anti-Delinquency programs.

RESPONSE

The funding categories listed above from Part III, Line 4a, Program Services of the 2008 Form 990 are primarily aimed at continuing growth, building capacity for future growth, assuring sustainability and targeting delinquency programs. Line 4a, refers specifically to the major federal Grant # 2007-JL-FX-K017. For award Grant # 2007-JL-FX-K017, all of the funding categories, including each of the above named categories were presented in our proposal, with descriptions and allocations provided. The granting agency approved all categories, the allocation to each category, and every pass-through grant for a new Club. Following is a description for the three categories requested:

- New Club Funding – These grants are for establishing new Clubs in distressed areas, serving new members and leveraging funds from other sources.

- Sustainability and Capacity Building – These grants are used to help ensure the sustainability and leverage funding from other sources, particularly in support of those Club sites located in this nation’s most vulnerable communities. For example, many of the Club sites that have been established on Native American lands are located in areas where private funding and other local resources are extremely scarce, yet the need for Boys & Girls Clubs programming, and the resulting impact on the community, is extremely high. These grants are also used to strengthen the capacity of local organizations, positioning them for long term success and strategic growth.

- Anti-Gang and Anti-Delinquency Programs – These grants fund gang prevention, delinquency prevention and intervention, or targeted re-entry programs, and provide training to Clubs and community stakeholders to implement prevention and intervention programs.

Please see Exhibit 9 for the financial details of grants awarded (paid) to Boys & Girls Club organizations and expenses incurred for each of the categories requested.

d. Provide the amounts of federal funds expended on these programs.
RESPONSE

The entire amount reported in Part III, line 4a was funded by the Department of Justice under Grant # 2007-JL-FX-K017. This grant was awarded to BGCA in response to a grant application in which BGCA detailed the intended use of the funds and provided to the Department of Justice with a detailed budget including the categories listed above.

Please see Exhibit 10, which shows the amount of federal funds expended on the three categories requested.

4. Line 4d
   a. This line reports the largest amount of expenses, including grants – more than the amounts listed for establishing, supporting, strengthening, expanding, and enhancing BGCA programs reported on line 4a. Provide program-specific information about grants awarded and expenses, including the amounts of federal funds expended on these programs.

RESPONSE

Boys & Girls Clubs of America and local Boys & Girls Clubs work together to develop a strategic plan. The current plan, known as Impact 2012, has four major pillars: Impact with Strategic Growth; Partnerships and Collaborations; Strong, Sustainable Boys & Girls Club Organizations, and Public Trust. BGCA aligns its fundraising agenda around the plan, seeks public and private sector funding to execute on the plan nationally, and provides pass-through funding to local Clubs to help support the execution of the plan locally.

In keeping with our national strategy of diversified funding streams, BGCA seeks private sector funding as well as public funding such as federal funds. We encourage and support our local organizations’ efforts to identify and secure their own diversified public and private revenue streams.

In addition to the three largest program services grants identified and listed in the Form 990, Part II, lines 4a to 4c, which total $44,678,504, BGCA’s fundraising efforts resulted in more than 90 other grants funded by private sector contributions totaling $52,397,769. All funding was expended in full accordance with the terms of those gifts, including $17,797,165 passed through to local Boys & Girls Club organizations. These private sector funds were expended in accordance with the terms of the various grants.

Additionally 10 programs were funded by various federal agencies totaling $2,864,891, of which $1,229,576 was passed through to local Boys & Girls Club organizations. These federal funds were expended in accordance with the terms of the award letters and contracts from the respective federal agencies, budgets for which were also reviewed and approved by the respective agencies.

Please see Exhibit 11 for the details of the program-specific grants awarded (paid) to Boys & Girls Club organizations, and expenses, including the amounts of federal funds expended on these programs totaling $55,262,660.
5. Identify any grants awarded to independent, for-profit companies on the BGCA’s behalf over the past five years. Indicate how much federal money was retained by the for-profits and by the BGCA, how much was used to pay third parties, and how much was actually paid to a grantee.

RESPONSE

No grants were awarded to independent for-profit companies on BGCA’s behalf over the past five years.

Part VII, Compensation & Governance

1. Provide copies of BGCA articles of incorporation, charter, by-laws or other documentation indicating how BGCA board members are selected.

RESPONSE

Attached please find a copy of Boys & Girls Clubs of America’s Congressional Charter, its Constitution and its By-Laws (Exhibits 12 to 14). Each of these documents reference how BGCA board members are selected. For your convenience, we refer you to Section 6 of the Congressional Charter; Articles III, V, VI, VII and IX of the Constitution; and Article XI of the By-Laws.

2. Provide the number of board meetings held in calendar year 2008, and provide the attendance record for each Governor, Life Member, and Governor Emeritus listed.

RESPONSE

Boys & Girls Clubs of America is proud of the engagement of its Board of Governors. While attendance at board meetings is important, that attendance alone does not begin to fully describe the commitment of the board. In addition to board meetings, there are numerous committee meetings, conference calls, fundraising responsibilities, recruitment visits, and other voluntary time commitments from board members.

In response to the above question: Boys & Girls Clubs of America held four Board of Governors meetings in 2008. The attendance record for each Governor, Life Member and Governor Emeritus at those board meetings is listed in Exhibit 15. (Note: Life Members and Governors Emeriti are honorary members in that their participation is optional.) Also provided is a list of board member participation at committee meetings and on conference calls, and additional requested information regarding the board members in 2008. The Board Governance Committee reviews board member engagement each December and where indicated takes appropriate actions. Overall, the level of board engagement is very high. A listing of the Governors is attached as Exhibit 16.

3. Indicate which, if any, Governors, Life Members or Governors Emeritus are also board members or officers of a BGCA affiliate.
RESPONSE

Attached as Exhibit 17, please find a list indicating those Governors, Life Members or Governors Emeriti who are also board members or officers of a BGCA local affiliate. This complement of Governors who also serve on local Boys & Girls Club organization boards provides a rich, valuable source of experience and perspective. Their real life experience with local Boys & Girls Club challenges, opportunities and impact adds greatly to the deliberation of the Board of Governors.

4. Provide the titles, job descriptions, and resumes for all compensated individuals listed.

RESPONSE

Boys & Girls Clubs of America has complete and thorough job descriptions for all of its employees, including but not limited to those listed on the Form 990. They are reviewed periodically and updated to reflect any major changes and new job functions.

Job descriptions are used as a key indicator and criteria in determining appropriate compensation. Every two to three years, compensation practices and the compensation for each senior leader are reviewed to assure each compensation package is appropriate when compared to like jobs in large and complex national nonprofit organizations. This review is conducted by highly qualified, independent compensation consultants selected and retained by the Human Resources and Compensation Committee (HRCC). The committee uses a competitive process to select the most qualified consultants, who use our job descriptions to identify like jobs in like organizations as a basis for gathering comparable compensation data.

These job descriptions also serve as the key guide for BGCA’s recruitment process, enabling us to identify qualified candidates possessing the skills, experience and abilities for each position. The interview and selection process for each member of the senior leadership team is designed to ensure that BGCA hires only the best and most experienced skilled professionals. An interview team is selected and a thorough, extensive behavioral interview is conducted for each top candidate. Work references and criminal background checks on the top candidates are also conducted.

Attached as Exhibit 18, please find a listing of those compensated individuals listed on Form 990, Part VII, Schedule J-2 I 2008 (hereinafter “compensated individuals”), listed by name, title, total years of service with BGCA, total years of service with Clubs as well as BGCA, and the years served in their listed position, as of 2008. Following that summary are the job descriptions and resumes for all compensated individuals.

5. Provide copies of the compensation studies, reports, and other documentation for each individual’s compensation, including minutes of compensation committee and governors’ meetings approving such compensation.
RESPONSE

The BGCA Board of Governors, through the Human Resources and Compensation Committee (HRCC), oversees and approves the president’s and senior leadership team’s annual compensation, including base salary, merit increases, incentives, employee benefits and deferred compensation, if appropriate. The board seeks to attract and retain the best-qualified, talented and dedicated executive professionals by striving to be fully competitive with similar organizations, and maintaining a competitive compensation program.

To accomplish this, approximately every two years, the HRCC of the Board of Governors retains an independent, executive compensation consulting firm to evaluate BGCA’s executive compensation philosophy and pay practices. The selected consultant reports on comparable compensation practices, peer comparison compensation data, and other related trends in the nonprofit sector, with a focus on other large, complex nonprofit organizations. Using this information, the consultant assesses BGCA’s executive compensation and determines its reasonableness. Since 1999, BGCA has engaged external consultants five times for this purpose. Each time, without exception, the HRCC received official documentation stating that BGCA’s compensation philosophy, pay practices and benefits for the President & CEO and other senior leadership are reasonable and in line with other comparable market data.

Also as part of this process, the highly engaged, experienced members of the HRCC work with the consultant to determine new or revised components of current BGCA compensation practices to help assure BGCA’s competitiveness. Over time, with the recommendations of the consultants and the review and approval of the HRCC and as appropriate, the BGCA Board of Governors has implemented the following:

- Executive compensation philosophy
- Incentive opportunities
- Deferred compensation, where appropriate

Please find attached Exhibits 19 to 23 that provide the following items:

- Executive Compensation Philosophy, which was reviewed and approved by the Human Resources & Compensation Committee in December 2006 and still in effect in 2008.
- PricewaterhouseCoopers Executive Total Compensation Assessment, dated November 12, 2007, that was presented to the Human Resources & Compensation Committee on December 11, 2007.
- Minutes from the Human Resources & Compensation Committee meeting, December 11, 2007.
- Minutes from Executive Session of the Board of Governors dated March 12, 2008, approving the President and CEO’s compensation for 2008.
- Executive Compensation Assessment letter dated May 7, 2008 from PricewaterhouseCoopers stating that BGCA’s executive compensation practices are within
a competitive range of its compensation philosophy and are reasonably market-competitive under the intermediate sanctions legislation and its implementing regulations.

6. **Provide the criteria used to determine each individual’s bonus and incentive compensation.**

**RESPONSE**

The Human Resources & Compensation Committee (HRCC), in collaboration with an external independent consulting group, Mercer Incorporated, determined that more pay at risk should become a part of the executive compensation philosophy and pay practices for Boys & Girls Clubs of America. This determination was based on a review of other nonprofit best practices. In keeping with this concept of pay at risk, the Committee endorsed the incentive opportunities for executives, which were designed in consultation with the consultant, to be based on a financial target as a trigger; individual performance accountabilities; and specific organizational goals. The financial target is based on board-approved goals. The HRCC reviews the president’s preliminary award recommendations for all compensated individuals listed on the 2008 Form 990, provides input and approves the final award amounts. The HRCC and Board of Governors reviews and approves the award recommendation for the President.

Every two years, the HRCC requests an external, independent consultant to review, evaluate and make recommendations regarding Boys & Girls Clubs of America’s executive compensation pay and practices, including the awards program. The consultant’s review includes comparison of the awards programs in other large nonprofits and overall best practices. Recommendations are reviewed in detail by the HRCC and approved changes require committee approval and, for the president, board approval.

Attached as Exhibit 24, please find details on Boys & Girls Clubs of America’s executive incentive program.

7. **Provide minutes of all meetings where the Board of Governors discussed or approved a Supplemental Executive Retirement Plan (“SERP”) for Roxanne Spillett.**

8. **Provide a copy of the SERP document and any compensation studies or reports used to determine the amount of BGCA’s contribution to the SERP.**

**RESPONSE**

BGCA’s Board of Governors is extremely engaged. They take their fiduciary, oversight and strategic responsibilities very seriously. With regard to the above two questions regarding the Supplemental Executive Retirement Plan (SERP), the Human Resources and Compensation Committee will be reviewing the response, to be sure it captures the significant thought process that went into the decision to provide a SERP, and all of the many levels of study and approvals that were undertaken. Please rest assured that the consultation, collaboration and review process involving these committee members is already underway, and as BGCA’s General
Counsel informed the staff in her recent emails, BGCA will furnish you with a complete response to these outstanding items on or before April 20, 2010.

*Part VIII, Revenue*

1. **Line 1b Explain how membership dues are calculated and who pays them.**

**RESPONSE**

Under the Constitution of Boys & Girls Clubs of America, the National Council determines the policies of BGCA that have a bearing on local organizations, including annual membership dues to be paid to BGCA by local Clubs. The voting membership of the National Council consists of one delegate from each local organization. BGCA is a non-voting member.

In 2008, Boys & Girls Clubs of America received $6.1 million in dues from local organizations. This is only 5.7 percent of its budget. In return, above and beyond the comprehensive services provided, Boys & Girls Clubs of America created more than $139 million of value for local organizations in federal and private sector dollars and state funding initiatives, for a better than 23:1 return on investment.

The breakdown of the membership dues are set forth in Exhibit 25.

2. **Line 1e Indicate amounts of revenue from state and local governments, if any.**

**RESPONSE**

Boys & Girls Clubs of America did not receive any revenue from state and local governments.

*Part IX, Expenses*

1. **Provide the criteria that BGCA uses to award grants and indicate whether such criteria factors into whether an organization has received an earmark or other direct assistance from the federal government.**

**RESPONSE**

**Criteria for Awarding Grants**

Each local organization seeking funding through Boys & Girls Clubs of America was required to complete and submit a funding application within the prescribed timeline. BGCA Field Services Department staff reviewed each application submitted within their respective regions, conducted necessary follow-up with the applying organization(s) and scored and prioritized each application. Funding recommendations are made by BGCA Field Services staff, and final award determinations are determined by the BGCA Executive Vice President, Club Services and Senior Executive, Special Initiatives. Grants over determined thresholds require the approval of BGCA President and BGCA board committees, as applicable and appropriate. The details of this extensive evaluation process are set forth in Exhibit 26.
For all major federal awards, including Grant # 2007-JL-FX-K017, BGCA submitted an extensive proposal and detailed budget to the granting agency for review and approval. The proposed plan and budget includes the allocation of funding for: pass-through to Clubs, third parties and BGCA. The plan and budget were reviewed by the granting agency, requested changes were made and the granting agency approved the plan and the budget, including the allocations.

Regarding the question of whether a local organization receiving an earmark or other direct assistance from the federal government is a criteria in BGCA evaluating that organization’s grant application, please note that prior to 2007, Congress appropriated funds for BGCA at or near the authorized level pursuant to the BGCA Act. As required by the Act, funding was used to provide seed money to help establish local Club organizations or sites to serve more youth in distressed communities.

During this time, BGCA discouraged local Club organizations and sites from independently seeking “earmarks” on their own. Moreover, local Clubs were advised that, if they did seek earmarks independently, they would not be eligible to receive federal funds appropriated to BGCA.

Due to the decrease of federal funding, coupled with the downturn in the economy, Clubs increasingly began to seek independent earmarks from members of Congress. While BGCA would prefer that local Club organizations not seek earmarks, BGCA’s current federal funding status does not enable the national organization to provide the level of financial support to local Clubs as it did before 2007, and has diminished BGCA’s “leverage” with Clubs on this issue.

2. For each grant awarded with federal money, indicate how much BGCA retained, how much was used to pay third parties, and how much was actually paid to a grantee.

RESPONSE

During 2008, as detailed in Exhibit 27, BGCA administered some 1,140 separate pass-through grants (of federal funds alone) to local Boys & Girls Club organizations. Additionally, some 850 grants were awarded in 2008; however most of the activity was reported in 2009 because of the timing of the award letter received from the funding agency. BGCA administers all awards received from federal agencies, on a reimbursement basis. BGCA expended a total of $40,522,372, of which $36,885,993, (91%) was passed through (paid to) local Boys & Girls Club organizations; $136,103 (0.3%) was paid to third parties for services performed; $2,867,973 (7.1%) was used for direct grant administration and compliance expenses; and $632,032 (1.6%) for indirect expenses incurred in support of all federal grants.

BGCA’s direct administration and compliance-related expenses included the OMB circular A-133 audit, sub-recipient monitoring under OMB circular A-133, training and technical assistance to Boys & Girls Club organizations, on-going in-depth review of expenditures incurred and submitted to BGCA by local Clubs for reimbursement, review of program reports submitted by local Clubs, compilation of data, and program and financial reports.

Additionally, one of the major awards, “Expanding and Enhancing Boys & Girls Clubs Mentoring Program” (# 2008-JU-FX-K010) was awarded late in 2008, and therefore most of the pass-through
grants related to this award were made to local organizations in the 2009 calendar year. Had we received the award letter in the second or third quarter of 2008, the pass-through amounts to local organizations in 2008 would have been substantially higher.

Furthermore, it should be noted that the Department of Justice, Office of Justice Programs, as the cognizant agency, approved an indirect cost rate of 15.33% (per Exhibit 28) for reimbursement of indirect costs from various grants received by BGCA from all federal agencies. However, because of the high percent of pass-through to Clubs (91%) and direct grant-related expenses, only a small percentage was submitted for reimbursement for allowable indirect costs. This resulted in BGCA using significant amounts of its own unrestricted dollars for indirect costs to supplement the federal award and administer the grant.

For example, for the Grant “Fiscal Year 2007 Establishing & Expanding B&GC” (# 2008-JU-FX-K017) covering the period 4/1/2007 to 6/31/2008, BGCA was eligible for reimbursements of indirect costs amounting to $3,683,149. However, the actual indirect cost claimed and funded was only $659,510. As a result, BGCA had to use $3,023,638 of its own unrestricted dollars (as reported in Financial Status Report, line 10b as BGCA’s share of outlays) to supplement the federal award and administer the grant, as shown in Exhibit 29.

3. **Indicate whether new clubs are made aware that federal grant money is intended to be seed money that may not be repeated.**

**RESPONSE**

Yes. Boys & Girls Clubs of America specifically informs potential new Club grant applicants that the funds are intended to serve as seed money. This notification is clearly stated in the funding announcement phase and the importance of sustainability is reiterated in the pass-through letters of agreement, as well as in BGCA’s overall, ongoing work relative to encouraging and supporting the establishment of new Club sites, whether funded by public or private sector sources.

All of these notifications are set forth clearly and more fully in Exhibit 30, which will show that a local Boys & Girls Club receiving funds for a new Club start-up is fully aware that these funds are intended to serve as seed money.

4. **Provide a detailed accounting for each grant over $500,000 to an individual Boys & Girls Club.**

**RESPONSE**

As set forth above, there is a comprehensive approval process for all grants awarded. Allocations of federal funding of $500,000 or more require review and approval by BGCA’s President, Executive Vice President, Club Services, Senior Executive, Special Initiatives, Government Relations Committee and the Board of Governors’ Executive Committee. Allocations of non-federal funding of $500,000 or more to a Boys & Girls Club organization requires review and approval by BGCA’s President, Senior Vice President of Financial Services, Senior Vice President, Club Services, and Project Manager over the specific service involved. In 2008, BGCA only awarded three grants over $500,000. The details of these grants are set forth below.
Boys & Girls Clubs of South Central Alaska

The Boys & Girls Clubs of South Central Alaska operates 40 Club sites serving more than 13,000 young people. The majority (32) of these sites are located on Native Alaskan lands, many of which are situated in very remote villages with scarce resources. Boys & Girls Clubs of America has placed an emphasis on providing financial resources to these vulnerable communities as they would otherwise go without Boys & Girls Club services. Due to the large number of Native Alaskan Clubs, the Boys & Girls Clubs of South Central Alaska received OJP pass-through funding, as well as Tribal Youth Mentoring dollars that not all local organizations are eligible to receive. For these reasons, a grant of federal funds of $1,805,000 was made to this organization in 2008. These funds were used to support these clubs that are located in impoverished communities with extremely limited ability to fundraise.

Boys & Girls Clubs of Greater Dallas

BGCA is the beneficiary of a separately administered trust established many years ago under the will of a private donor (the Trust). The income from the Trust per the terms of the Trust must be used by BGCA for the purpose of “maintaining and supporting one or more chapters of the BGCA located in Dallas County, Texas, and not elsewhere, provided however that at least one chapter of the BGCA shall be in the City of Dallas, TX.” BGCA has designated the Boys & Girls Clubs of Greater Dallas of Dallas County, TX (Dallas organization) to receive such maintenance and support. A committee comprising BGCA board members, Trustees and staff reviewed and approved payment of $1,043,817 to the Dallas organization for the year 2008. In 2008, the Dallas organization served some 11,000 plus youth through 14 Club sites and community outreach.

Boys & Girls Clubs of Greater Milwaukee

The Boys & Girls Clubs of Greater Milwaukee operates 38 Club sites serving more than 60,000 young people. The size and scale of this organization, along with its aggressive growth strategy and the level of need in the community, has made it eligible for considerable pass-through funds. This is truly a model organization within the Boys & Girls Club Movement and, as such, implements many key program initiatives. In 2008, the Milwaukee organization opened eight new club sites and expanded services at 18 existing sites by increasing operating hours and enhancing programs. In 2008, a federal grant of $973,000 was awarded to this organization.

5. Provide a detailed reconciliation of the amount listed as travel expenses ($4,405,599), including destinations and purpose of such travel.

RESPONSE

BGCA’s annual travel budget in 2008, which is scrupulously monitored, funds all travel not just for its executives, but for some 308 national staff, many of whom travel extensively, making multiple visits to provide in-person services to some 4,300 local Clubs, including training, program development, and technical support, on a year-round basis. In addition, our development staff travel extensively to meet with donors, trustees and to cultivate new donors. Please see organizational chart, Exhibit 5. Additionally, they also participate extensively as
speakers, facilitators and consultants in the training conferences and meetings provided for our local organizations' professionals and board members. See Exhibit 36 for more details. Please note that the travel expenses incurred to attend the training conferences and meetings are included in the travel expense category as reported in Form 990.

Additionally, the travel expenses also include reimbursements of travel expenses per BGCA's standard travel policy to some 118 consultants and contractors who provided services to BGCA and local Clubs. The travel budget represents only 3.6 percent of BGCA's total annual expenditures. Of the total travel expense of $4,305,599 (incorrectly stated in your question as $4,505,599), only $168,300 was paid from federal funds in accordance with the terms and conditions of the respective federal awards or contracts, the budgets for which were reviewed and approved by the respective federal agencies.

BGCA's travel policy mandates that staff travel in the most economically efficient means possible. BGCA's travel policy, attached as Exhibit 31, is designed to keep travel expenses to a minimum level. Measures described in BGCA's travel policy to control costs and make most efficient use of tax-exempt dollars include:

- The lowest airfare should always be booked unless extenuating circumstances exist. Business travelers are expected to fly coach at the lowest reasonable fare.
- The allowance for use of personal cars for business travel is based on the approved per mile reimbursement by the IRS.
- Rental cars should only be used when absolutely necessary. In determining the necessity of a rental car, the most cost-effective method should be considered.
- Hotels should be booked with preferred vendors through AAA Travel. The options provided by AAA reflect the most economical hotels in the area.
- BGCA pays a per diem for meals incurred while traveling on business, rather than paying the actual cost of each meal. BGCA's per diem rates are extremely conservative, and have not been increased in many years, to hold down costs. They are:
  
  Breakfast $ 8.00  
  Lunch $ 10.00  
  Dinner $ 20.00

A brief summary of travel expenses incurred in 2008 is included in Exhibit 32 for your initial review. As indicated by BGCA's General Counsel's communications, Boys & Girls Clubs of America is diligently working to gather this information and will provide the requested detailed reconciliation of travel expenses, including names, destinations and purposes, on or before April 20, 2010.

6. **Provide a detailed reconciliation of the amount listed as conferences and meetings expenses ($1,629,960), including destinations and purpose of such expenses.**
RESPONSE

In 2008 more than 1,100 local Boys & Girls Club organizations, employed more than 54,000 adult professional staff and had a force of 28,000 local board members. Training is one of the most critical components in developing strong, sustainable organizations and achieving the desired impact on youth and communities. In addition to site-specific training provided by local organizations for program professionals and volunteers, one of BGCA's key roles is to provide training and professional development experiences on a broad range of issues to help assure local executives, management staff, youth development professionals and board volunteers have the knowledge, skills and abilities to effectively carry out their responsibilities.

Given the size and scope of the Boys & Girls Club Movement's professional and board leadership, BGCA offers a variety of learning opportunities to local professionals and board leaders. During 2008, BGCA provided 21,307 training experiences including training events and training conferences conducted by BGCA. Exhibit 33 provides a summary of expenses incurred by BGCA in hosting and conducting conferences and training events, including: travel expense reimbursements for certain events; lodging and boarding; and other expenses, including event hosting, training supplies, equipment rental and other related expenses. BGCA’s conferences and meetings expenses, net of registration fees, accounted for 1.3 percent of BGCA’s total expenses in 2008.

For a detailed description of the nature and breadth of training and conferences conducted by BGCA, please refer to Exhibit 33.

Of the $1,629,960 expenses on training and conferences included here, $185,064 were federal funds used in accordance with the terms and conditions of the respective federal awards or contracts. The budgets were reviewed and approved by the respective federal agencies.

7. Provide a detailed reconciliation of the lobbying expenses reported ($542,804) and include a reconciliation of this amount to the amount reported on Form 990 Schedule C, the amount reported in the Response and the amounts reported on U.S. Senate and House lobbying disclosure reports.

RESPONSE

It should be noted first and foremost that the overall purpose of Boys & Girls Clubs of America’s lobbying activities is to generate financial resources for local Boys & Girls Club organizations and Club sites. More than 90 percent of federal funds raised from lobbying are passed through to the local organizations, and while it varies from state to state, the percentage is about the same. By BGCA funding these federal and state lobbying initiatives, it relieves a financial burden at the local level.

BGCA will explain fully the various lobbying expenses set forth in BGCA’s Form 990, the amount reported in our Response to Key Issues Raised on January 28, and the amounts reported to the U.S. Senate and House of Representatives, pursuant to the Lobbying Disclosure Act. All numbers reported by BGCA are fully documented, and none of the expenses were paid using federal funds.
The differences in these reports are a result of the varying definitions of "lobbying", "lobbying expenses" and "lobbying fees" set forth by the IRS and the Lobbying Disclosure Act. Boys & Girls Clubs of America carefully considers these definitions for full compliance.

Please find attached as Exhibit 34 a detailed explanation of the numbers reported in our 2008 Form 990, the numbers reported under the Lobbying Disclosure Act, and the numbers submitted in our Response to Key Issues Raised on January 28. We appreciate that these numbers can be difficult to compare and hope that the attached exhibit will provide full clarification. Please note that the lobbying expenses for 2008 were high in comparison to previous and subsequent years as a result of a transition in BGCA’s Government Relations staff. However, the staffing and overhead expenses were reduced in 2009 as a result of adjustments made in lease arrangements and a reduction in staff.

8. Provide a list of all lobbying expenditures incurred by the BGCA (also include and identify any outsourced lobbying firms who work on your behalf and related expenses within your totals) over the past five years.

RESPONSE

Again, it should be noted first and foremost that the overall purpose of Boys & Girls Clubs of America’s lobbying activities is to generate financial resources for local Boys & Girls Club organizations and Club sites. More than 90 percent of federal funds raised from lobbying are passed through to the local organizations and while it varies from state to state, the percentage is about the same. By BGCA funding these federal and state lobbying initiatives, it relieves a financial burden at the local level.

Please find attached as Exhibit 35 a summary of all lobbying expenditures incurred by BGCA for the years 2008, 2007, 2006, 2005 and 2004. Following the summary, also find the identity of any outsourced lobbying firms used at the federal and state levels. These numbers are reflected in the respective Form 990 filings for those years. As stated above, the lobbying expenses for 2008 were high in comparison to previous and subsequent years as a result of a transition in the BGCA Government Relations staff. However, the staffing and overhead expenses were reduced in 2009 as a result of adjustments made in lease arrangements and a reduction in staff. Please note that no federal funds were used to fund lobbying expenses.

9. Provide a detailed list of all amounts reported on line 11g, including payee, amount, and purpose of such payments.

RESPONSE

Boys & Girls Clubs of America engages a variety of outside consultants and vendors as a way of acquiring -- on an as-needed basis -- special expertise for various projects and services. This is often a more cost-effective means than expanding our full-time employee base. Professional fees generally fall into the following categories:
Field Consultants, Trainers and Conference Speakers

Field consultants are local Boys & Girls Club professionals who, because of their relevant and special expertise, are asked to work with other Boys & Girls Club organizations to provide consulting and technical assistance, as well as provide training at BGCA regional and national conferences. In addition, outside speakers and trainers with special expertise, who are not employed by local Clubs, are often retained to address our national and regional conferences.

Program Development and Evaluation

Boys & Girls Clubs of America develops a wide array of national programs and initiatives. While most of the development is done by our staff, on occasion outside expertise is needed to develop and evaluate our programs. This includes studies of Club effectiveness and evaluations of new programs, such as our Latino Outreach program or Career Launch program. It also includes the development of resources and training programs such as a new Board Leadership Program, a new Executive Advanced Leadership Program, our outcome measurement initiative and an evaluation of our state alliances.

Outsourcing of Technical Assistance to Clubs

To complement our staff resources, we selectively use special outside expertise to provide technical assistance to our Clubs. For example, our national HR Hotline provides assistance to local Clubs regarding human resources issues and state laws. BGCA also provides online fundraising expertise, enabling local Club leaders to ask questions of fundraising experts, and gain access to a wide variety of resources to assist in fundraising. We also outsource our technical assistance, training and resources for our Native American Clubs. This has enabled us to cost-effectively replace a field staff position with the particular expertise needed by these organizations.

Outsourcing of Technology and Administrative Resources

To address the technology needs of the national organization and local Clubs, BGCA retains outside expertise to assist with website development, conference registration, donor acquisition, data base management, and online fundraising. To address administrative needs, BGCA outsources and/or retains assistance for functions such as payroll services, document storage and job postings.

Please find attached as Exhibit 36, the Schedule of Professional Fees used to determine the amount reported on Form 990, Part IX, 11g. This schedule includes payee, amount of payment and the purpose of such payment. For your convenience, please note that any amounts reported in line 11g that were charged to federal grants are segregated on the last page of the exhibit.

Part X, Balance Sheet & Schedule D, Part VII, Investments-Other Securities

1. Provide a detailed breakdown of the 60 individual funds that compromise the endowment fund and indicate the purpose and amount paid from each fund for each of the last five years.
RESPONSE

BGCA has a pool of 60 separate endowment funds totaling $67.6 million, of which $44.2 million is designated for restricted programs per donor intent, and the remaining $23.4 million is unrestricted, i.e., has no specified purpose or time restrictions imposed by the donor(s). A detailed breakdown of the 60 individual funds that comprise the endowment fund, indicating the purpose and amount paid from each fund for each of the years 2004 to 2008 (five years), is included in Exhibit 37.

2. Provide a detailed description of the composition of “Equity” that is listed at $54,331,578.

3. Provide a detailed breakdown of your “Limited Partnerships” that is listed at $53,437,539.

RESPONSE

BGCA’s Board of Governors is an extremely engaged, hands-on group of volunteers, who take their fiduciary, oversight and strategic responsibilities very seriously. With regard to the above two questions regarding foreign investments, the Investment Committee would like to thoroughly review the detailed responses to the questions. Please rest assured that the consultation, collaboration and review process involving these committee members is already underway, and as BGCA’s General Counsel informed the staff in her recent emails, BGCA will furnish you with a complete response to these outstanding items on or before April 20, 2010.

**BGCA, 2008, Tax Form 990T**

*Statements Regarding Center Activities and Other Information*

1. Provide a detailed description of the properties generating rental real estate income reported in Part I, line 6, including their location, and explain why BGCA chose to make such investments.

RESPONSE

BGCA owns one property that generated real estate rental income in 2008.

**Description of the Property Generating Rental Real Estate Income:**

- Serves as Boys & Girls Clubs of America’s Headquarter Building and Southeast Regional office.

- Multi-tenant, seven-story, 143,000-sq. ft. office building located at 1275 Peachtree Street, NE, Atlanta, GA, with 225 parking spaces.

- Approximately 55,000-sq. ft. of space was rented to multiple tenants through November 2008. One tenant that occupied approximately 12,000 sq. ft. moved out upon termination of the lease in December 2008.
Rental income was also generated from allowing the general public to park in unused parking spaces after hours and on weekends.

Why BGCA Chose to Make Such an Investment:

Beginning in 1994, BGCA occupied a 60,000-sq. ft, four-story office building in midtown Atlanta, located at 1230 W. Peachtree Street, as its national headquarters. BGCA’s success and rapid growth far exceeded projections developed in 1994 and two additional properties were leased to accommodate space needs. As a result, and with the approval of BGCA’s Board of Governors, a search for a new headquarters building was conducted in 2004. In 2005, a very suitable building located at 1275 Peachtree Street in midtown Atlanta was identified. The building met all financial and non-financial criteria developed with the board.

BGCA conducted a very thorough financial analysis and in-depth review of several options. A Board Task Force was fully engaged in this process. Following a unanimous vote by the Board of Governors, in 2005 BGCA purchased – with a major gift from a longtime donor – a new building to accommodate all headquarters staff and BGCA’s Southeast Regional office.

Lease vs. purchase analysis indicated that BGCA would realize more than $2 million in cost savings over a four-year period (2006 to 2009). Operating costs at the new building were projected to be much less than the combined operating costs of three different locations occupied by BGCA (two of which were leased) prior to purchase of the new headquarters building. In part, these cost savings were attributed to rental income from leasing space in the new headquarters building to the existing tenants. The annual average rental income projection for 2006 to 2009, net of taxes, was approximately $375,000.

2. **Provide a detailed list of BGCA’s foreign financial holdings by country as listed on statement 8 and provide information on any other locations not reported on statement 8.**

3. **Explain why BGCA is utilizing foreign investments.**

**RESPONSE**

BGCA's Board of Governors is extremely engaged. They take their fiduciary, oversight and strategic responsibilities very seriously. With regard to the above two questions regarding foreign investments, the Investment Committee would like to thoroughly review the detailed responses to the questions. Please rest assured that the consultation, collaboration and review process involving these committee members is already underway, and as BGCA’s General Counsel informed the staff in her recent emails, BGCA will furnish you with a complete response to these outstanding items on or before April 20, 2010.

**Conclusion**

Again, thank you for the opportunity to respond directly to your request for information. We hope that the information provided in this letter and its attachments and to be provided by April 20, 2010,
answers all your questions thoroughly. As stated in the beginning of this letter, Boys & Girls Clubs of America fully recognizes and appreciates the oversight responsibility of the U.S. Senate Judiciary Committee and the role of its members in reviewing the allocation of taxpayer dollars. We welcome an opportunity to provide any clarification to the responses provided.

Our great hope is that once you have reviewed these responses and the supporting documentation, plus the remaining information we will provide on or before April 20, 2010, you will better understand the operations and governance of Boys & Girls Clubs of America, and recognize that BGCA has been and will continue to be responsible stewards of its funding from all sources, including, importantly, the people of the United States. We further hope that, in partnership with Congress, we can continue to change and save young lives and prepare today’s young people to be the kind of citizens and leaders who will assure a bright future for America. Please let me know if you have any other questions or concerns.

Sincerely,

Robert J. Bach, Chairman
Boys & Girls Clubs of America
Board of Governors

cc: Ms. Roxanne Spillett
April 19, 2010

Dear Senators Grassley, Coburn, Kyl and Cornyn:

Please find below and attached responses to the remaining questions set forth in your letter dated March 10, 2010. Boys & Girls Clubs of America (BGCA) greatly appreciates the extra time to properly respond to these remaining questions. It is important to the organization and the Board of Governors that all of the responses not only be thorough and accurate but that they receive the appropriate oversight by the Board of Governors and its relevant committees.

As previously stated, Boys & Girls Clubs of America fully recognizes and appreciates the oversight responsibility of the U.S. Senate Judiciary Committee, and the role of its members in reviewing the allocation of taxpayer dollars. With these remaining responses, and any subsequent meetings or communications, it is our hope that you will not only be fully comfortable with our operations and governance, but will continue to support strongly our important mission to enable all young people, especially those who need us most, to reach their full potential as productive, caring, responsible citizens.

Please find below the responses to the remaining questions:

Part VII: Compensation & Governance

7. Provide minutes of all meetings where the Board of Governors discussed or approved a Supplemental Executive Retirement (“SERP”) for Roxanne Spillett.

8. Provide a copy of the SERP document and any compensation studies or reports used to determine the amount of BGCA’s contribution to the SERP.

RESPONSE

With regard to the above two related questions, the Board of Governors of Boys & Girls Clubs of America undertook a two year extensive, detailed and
comprehensive analysis before approving supplemental retirement for our President and CEO, Roxanne Spillett, on December 7, 2005. This process is described more fully below and in the attached Exhibits.

Background Information on Compensation Review

The Board of Governors seeks to attract the most capable talent to achieve the vital mission of a large, complex organization such as Boys & Girls Clubs of America. In 2004, the Human Resources & Compensation Committee (HRCC) of the Board of Governors retained PricewaterhouseCoopers (PwC). As part of this engagement, the HRCC requested that PwC review the total compensation of BGCA’s President and CEO. PwC presented a competitive market analysis of all elements of executive total compensation for the president’s position as compared with other comparable organizations.

PwC reported that the president’s total compensation based on the president’s tenure and performance was not competitive with other like positions and should be targeted at the 75th percentile market position. (This was also consistent with the HRCC’s approach to compensation for employees with significant expertise and tenure.) PwC proposed that a supplemental executive retirement program (deferred compensation) may be more appropriate to recognize the president’s many years of distinguished service, numerous accomplishments and exemplary performance over the previous 26 years with BGCA, nine of which as president, as well as the president’s proposed future tenure as president (please note that the president currently has 32 years of service, including 15 as president). Simultaneously, PwC confirmed that this type of benefit would serve as a retention mechanism as well.

PwC indicated that there was a prevalence of practice for nonqualified deferred compensation plans among nonprofit organizations, and that this benefit would supplement the president’s projected retirement fund and create a more competitive compensation package.

Review and Approval Process

Based on the PwC recommendations, the Human Resources & Compensation Committee (HRCC) performed an in depth review of the various options of supplementing the president’s income through an appropriate retirement plan that would provide replacement income and income for post-retirement individual medical benefits. The various options available and the level of funding options were carefully reviewed in 2004 and 2005. During that time, there were numerous meetings and discussions with the HRCC and the Executive Committee of the Board of Governors on this matter (Roxanne Spillett was not present during these discussions). In late 2005, both the HRCC and the Executive Committee unanimously approved a Supplemental Executive Retirement Plan (“SERP”) for the President and CEO with the recommendation that there also be a mechanism to provide for post-retirement medical insurance.

Prior to the December 7, 2005 Board of Governors’ meeting, the Board was presented with a memo on November 21, 2005 detailing the background, process and rationale for the SERP and the post-retirement individual health insurance program recommended and approved by both the HRCC and Executive Committee. The Board of Governors unanimously approved the SERP and
the amount for a post-retirement individual health insurance program. With that approval, the initial SERP was effective January 1, 2005. Meanwhile, the HRCC, again with consultation from PwC, conducted a thorough analysis of the best mechanism to provide the post-retirement medical benefits. Of the options available, a separate SERP was the best option and was approved effective January 1, 2006. The amounts indicated on Boys & Girls Clubs of America's 2008 Form 990 are the combined accruals for these two SERPs. None of these accruals use federal funds.

A copy of the minutes in which the Board of Governors discussed and approved the SERP and the post-retirement medical insurance is attached as Exhibit 38, as well as the above mentioned memo that the Board of Governors considered prior to that meeting.

**Determination of SERP Amount**

The process for determining the amount of Ms. Spillett's retirement benefits was handled methodically, carefully, and objectively. In consultation with PwC, the proposed plan was evaluated and compared to other leading nonprofits. PwC advised that the prevailing practice was to establish a retirement plan that would fund annually 60% to 70% of pre-retirement total cash compensation. The HRCC reviewed extensive information on the various types of deferred compensation programs, pros and cons of each concept, and the prevalence of practice of each concept in the nonprofit sector. During this process, the President and CEO expressed her preference that HRCC consider an amount lower than the prevailing practice. After thorough review and analysis, the HRCC, the Executive Committee, and the full Board of Governors approved a supplemental executive retirement program and post-retirement medical insurance funds that would provide the president with approximately 50% of her pre-retirement total cash compensation, which is less than the prevailing practice.

A supplemental executive retirement benefit is typically accrued over the leadership career of an executive. Had this retirement benefit been offered when the president was hired into that position, the president’s deferred compensation would have accrued over a 15 year time period. Because this retirement benefit was not effective until January 1, 2005, the SERP had to be accrued in less than six years so that the vesting would occur at or around age 62. The post-retirement medical insurance benefit was approved effective January 1, 2006 and had to be accrued in less than five years.

**Reassessment of SERP**

The Board of Governors followed a rigorous process to evaluate the need for supplemental retirement benefits. This process included guidance and input from an external independent consultant, numerous meetings, discussions, and unanimous approval of the Human Resources & Compensation Committee (HRCC), the Executive Committee, and the Board of Governors. Since the 2004-2005 review by PwC, other external independent compensation consultants, including Mercer, have confirmed that the president’s total compensation package is in line with other large, complex nonprofits, with the most recent independent compensation analysis completed in December, 2009. They also confirmed that Ms. Spillett’s retirement package is consistent with market practice for those organizations that also provide a nonqualified plan. As such, the Board of
Governors stand behind the above discussed supplemental retirement plans, the amount, and the process that led to their approval.

With that being said, the HRCC has agreed to reassess the supplemental retirement benefits program and funding in light of the following:

1. The President and CEO, Roxanne Spillett, has respectfully requested that the amount be reassessed and decreased if and as needed.
2. Based on a Board meeting prior to this inquiry, Ms. Spillett’s tenure is likely to extend longer than planned.
3. The need to appropriately structure a future compensation package that is competitive for the next President and CEO.

The Executive Committee has affirmed this reassessment but reiterated that the Board of Governors has a responsibility to develop a compensation package that will attract and retain a President and CEO to lead an organization of this magnitude, complexity and social value.

Please find attached as Exhibits 39 to 42, documents responsive to question number 8:

- The SERP documents (to be reassessed, see above)
- PricewaterhouseCoopers Supplemental Retirement/Deferred Compensation Practices
- PricewaterhouseCoopers data research and projections for various SERP options and SERP values
- PricewaterhouseCoopers Executive Total Compensation Reasonableness Opinion dated December 31, 2005

Part IX, Expenses

5. Provide a detailed reconciliation of the amount listed as travel expenses ($4,405,599), including destinations and purpose of such travel.

As set forth in the partial response provided on March 29, 2010, BGCA’s annual travel budget in 2008 funded all travel not just for its executives, but for some 300 national staff and 100 contractors and consultants who provide services to BGCA and the local Clubs. BGCA national staff provided a wide range of in-person services, including training and technical assistance to some 4,300 local Clubs - their staff and board members – at either local club sites or in a conference setting - in many critical areas. These services include: staff and board development; program development, program implementation and training; donor cultivation; fundraising – from private and public sectors; club design and enhancing child safety; strategic planning; executive leadership and professional development; human resources and compensation management; financial management and federal grant administration; marketing and brand management; risk management and technology for youth and staff. Additionally, our development staff travel extensively to meet with donors, trustees and to cultivate new donors.

Please note that of the $4,305,599 incurred by BGCA in 2008 on travel expenses, BGCA executives (those nine listed in the 2008 Form 990) incurred approximately $243,000. It should
also be noted that of the total travel expense of $4,305,599 (incorrectly stated in your question as $4,405,599), only $168,300 was paid from federal funds; and these expenses were in accordance with the terms and conditions of the respective federal awards or contracts, the budgets for which were reviewed and approved by the respective federal agencies. BGCA’s travel policy directs that staff travel in the most economically efficient means possible.

All travel expenses are carefully reviewed for reasonableness and adherence to our travel policy. As set forth in the previous response, BGCA’s travel policy, attached as Exhibit 31, is designed to keep travel expenses to a minimum level. An example is that for the venues for the various conferences, BGCA negotiates a hotel rate in line with and in many cases below the government rate. Measures described in BGCA’s travel policy to control costs and make most efficient use of tax-exempt dollars include:

- The lowest airfare should be booked unless extenuating circumstances exist.
- Business travelers are required to book flights in coach at the lowest reasonable fare.
- The allowance for use of personal cars for business travel is based on the approved per mile reimbursement by the IRS.
- Rental cars should only be used when absolutely necessary. In determining the necessity of a rental car, the most cost-effective method should be considered.
- Hotels should be booked with preferred vendors through AAA Travel. Please note that the options provided by AAA reflect the most economical hotels in the area.
- BGCA pays a per diem for meals incurred while traveling on business, rather than paying the actual cost of each meal. BGCA’s per diem rates are extremely conservative, and have not been increased in many years, to hold down costs. They are: Breakfast $ 8.00; Lunch $ 10.00. Dinner $ 20.00.

Exhibit 43 summarizes the travel expenses incurred in 2008 including destinations and purpose of travel. Also, for your convenience and in the spirit of full transparency, it also includes the name of the person or entity incurring the expense. As mentioned in the previous response, the travel expenses incurred by BGCA staff to attend the training conferences and meetings are also included in the travel expense category as reported in Form 990. Most of the trips listed are to multiple locations, for multiple purposes and have duration of multiple days - ranging from 2 days to over a week in some instances. The data collection of these expenses was a labor intensive and manual effort in which the data was pulled from different systems using different staff members – there was not a simple way to pull the data electronically. Boys & Girls Clubs of America is willing to provide details related to any particular expense.

**Part X, Balance Sheet & Schedule D, Part VII, Investments-Other Securities**

2. Provide a detailed description of the composition of “Equity” that is listed at $54,331,578.

Boys & Girls Clubs of America appreciates any interest in whether its investments are well managed and effectively fulfilling the mission of providing a suitable level of support to the organization. BGCA recognizes that the management of such funds is complex and requires consultation with experts, oversight, active engagement and decision-making by the highly
qualified Investment Committee members of the Board of Governors. BGCA’s investment
strategies as formulated by the Investment Committee of the board are designed to best serve the
financial objectives of BGCA, which include preserving the inflation-adjusted purchasing power of
the investment pool and providing ongoing support to the operations of BGCA and its programs.

At December 31, 2008, BGCA had total investments of $222,872,901 in various asset classes of
which investments in “Equity” (as one of many investors in respective funds) totaled $54,331,578.
Please see Exhibit 44 for the listing and detailed description of the composition of “Equity” listed at
$54,331,578. As requested at the meeting of BGCA representatives with staff members of
Senators Coburn and Grassley on March 18th, we have included in Exhibit 44 information
regarding the organization of and a brief description of these “Equity” funds.

Most of these investments (with the exception of The Community Foundation for Greater Atlanta)
are in hedge funds that are registered in foreign countries investing primarily in U.S. stocks and bonds.

3. Provide a detailed breakdown of your “Limited Partnerships” that is listed at
$54,437,539.

At December 31, 2008, BGCA had total investments of $222,872,901 in various asset classes, of
which investments in Limited Partnerships (i.e. in investment funds that are organizationally
structured as “Limited Partnerships”) totaled $53,437,539. BGCA was just one of many Limited
Partners, i.e. investors in these Limited Partnerships. BGCA received Schedule K-1 (Form 1065)
for each limited partnership interest, and the total taxable income from these partnership interests
was reported in BGCA’s Form 990-T, Part I, for the year 2008. Please see Exhibit 45 for the listing
and detailed description of the composition of “Limited Partnerships” listed at $54,437,539. As
requested at the meeting of BGCA representatives with staff members of Senators Coburn and
Grassley on March 18th, we have included in Exhibit 45 information regarding the organization of
and a brief description of these “Limited Partnerships” funds.

BGCA, 2008, Tax Form 990-T

2. Provide a detailed list of BGCA’s foreign financial holdings by category as listed on
statement 8 and provide information on any other locations not reported on
statement 8.

In 2008, BGCA had total investments of $222,872,901 in various asset classes of which
investments in “Foreign Investments” (as one of many institutional investors in respective funds)
totaled $54,289,374. It is our understanding that the above term “foreign” refers to “offshore”
investments in hedge funds (i.e., funds that are domiciled outside the U.S. but often invest in U.S.
companies) as opposed to direct investments in foreign-based corporations or in the mutual funds
that invest in foreign-based corporations. Please see Exhibit 46 for the listing and detailed
description of the composition of “Foreign Investments” listed at $54,289,374. Based on the above,
statement 8 is a complete listing. As requested at the meeting of BGCA representatives with staff
members of Senators Coburn and Grassley on March 18th, we have included in Exhibit 46
information regarding the organization of and a brief description of these “Foreign Investment” funds.

3. **Explain why BGCA is utilizing foreign investments.**

Please find below a thorough explanation of why Boys & Girls Clubs of America is utilizing foreign investments.

The Board of Governors, through its Investment Committee, formulates, implements and provides on-going oversight of the coherent investment policies and strategies designed to best serve the financial objectives of BGCA, which include preserving the inflation-adjusted purchasing power of the Investment pool and providing ongoing support to the operations of BGCA and its programs.

BGCA has a very sophisticated and active Investment Committee comprised of board volunteers (governors and trustees) who have extensive Investment Management experience. The committee members receive no compensation, pay their own expenses and are subject to the “Ethics and Conflict of Interest Policy” for Board Members as established by BGCA’s Board of Governors. The committee works closely with a leading nationally reputable independent consulting firm, Cambridge Associates (“Cambridge”), in making appropriate asset allocation decisions and hiring investment managers with consistent and proven track records.

At December 31, 2008, BGCA had investments of $222,872,901 of which $54,289,374 were invested in six off-shore funds that primarily invest in U.S. stocks and bonds as scheduled in previously referenced Exhibit 46. With advice from Cambridge, BGCA invested in such vehicles largely because of their tax-advantaged status—specifically, they avoid issues with Unrelated Business Taxable Income (UBTI) generated by hedge funds that use leverage. In making the decision to utilize such funds, the Investment Committee relied on internal research as well as advice from Cambridge and tax consultants as to the legality and appropriateness of such investments. According to Cambridge, “Cambridge Associates advises more than 600 nonprofit institutions, the vast majority of which have at one time invested in offshore accounts in exactly the same manner as BGCA. Given the tax issues involved, Cambridge Associates continues to recommend nonprofits invest in such structures.”

Cambridge further advised that it is commonplace for non-profits that invest in hedge funds to make such investments through offshore vehicles to minimize the associated tax burden. BGCA’s allocation to hedge funds registered in foreign countries is consistent and in line with investments made by other nonprofits. These investments, as with all investments in the portfolio, are diligently reviewed and approved by the Investment Committee.

Hedge funds have been an integral part of BGCA’s investment strategy in recent years. For example, in anticipation of the 2008 credit crisis, BGCA moved investments into more defensive areas (bonds and hedge funds, as opposed to long-only equity managers), and as a result protected the endowment better than institutions that failed to take such measures. Furthermore, in the committee’s view and that of the consultants, such investments are essential to providing the diversification necessary to preserve purchasing power over time.
BGCA has worked with Cambridge since 1996, over which time (through the end of 2008) the BGCA portfolio returned 7.6%, outperforming its blended benchmark\(^1\) by 3.3% a year. In aggregate, the BGCA portfolio returned 45% more than its benchmark over this period, while in dollar terms, the portfolio is at least $25 million larger than would have been the case had BGCA invested passively in U.S. equities and bonds. It is worth noting that BGCA’s investments made through offshore accounts measurably contributed to these results.

In sum, the BGCA Investment Committee, with guidance from Cambridge, has provided strong oversight through prudent and proactive investment strategies, including diversifying the portfolio’s investments on a global and asset class basis.

**Conclusion**

Again, thank you for allowing us to submit a response to these remaining questions and for allowing relevant board members time to review the response. We hope that the information provided in the March 29, 2010 production, and in this response, answers all your questions thoroughly. As stated in the beginning of this letter, Boys & Girls Clubs of America fully recognizes and appreciates the oversight responsibility of the U.S. Senate Judiciary Committee and the role of its members in reviewing the allocation of taxpayer dollars. We welcome an opportunity to provide any clarification to the responses provided.

Our great hope is that once you have reviewed all of our responses and the supporting documentation, you will better understand the operations and governance of Boys & Girls Clubs of America, and recognize that BGCA has been and will continue to be a responsible steward of its funding from all sources, including, importantly, the people of the United States. We further hope that, in partnership with Congress, we can continue to change and save young lives and prepare today’s young people to be the kind of citizens and leaders who will assure a bright future for America. Please let me know if you have any other questions or concerns.

Sincerely,

Robert J. Bach, Chairman
Boys & Girls Clubs of America
Board of Governors

cc: Ms. Roxanne Spillett

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\(^1\) Blended Benchmark consists of 70% Russell 3000 Index and 30% Barclays Capital Aggregate Bond Index until 09/30/04; 80% Russell 3000 Index and 20% Barclays Capital Aggregate Bond Index thereafter.