Boys & Girls Clubs of Central Florida, Inc.

Financial Statements
Years Ended June 30, 2016 and 2015

Boys & Girls Clubs of Central Florida, Inc.

Financial Statements
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Contents

BDO

Tel: 407-841-6930
Fax: 407-841-6347
www.bdo.com

201 South Orange Ave., Suite 800
Orlando, FL 32801

Independent Auditor's Report

Board of Directors
Boys & Girls Clubs of Central Florida, Inc.
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Boys & Girls Clubs of Central Florida, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Central Florida, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

BDO USA, LLP
December 2, 2016

Financial Statements

Boys & Girls Clubs of Central Florida, Inc.

Statements of Financial Position

June 30,	2016	2015
Assets		
Current:		
Cash and cash equivalents	$ 3,871,858	$ 4,634,097
Investments (Note 2)	7,538,003	7,204,684
Grants receivable	693,857	646,842
Contributions receivable, current portion, net (Note 3)	1,314,118	1,184,630
Prepaid expenses	233,076	161,350
Land held for sale	250,000	250,000
Total current assets	13,900,912	14,081,603
Property and equipment, net (Note 4)	15,041,891	14,914,019
Other assets:		
Contributions receivable, long term, net (Note 3)	1,066,723	527,971
Other	52,110	53,075
Total other assets	1,118,833	581,046
	$ 30,061,636	$ 29,576,668
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 181,990	$ 90,591
Accrued compensation	541,607	471,977
Deferred revenues	387,176	256,018
Total current liabilities	1,110,773	818,586
Commitments and contingencies (Notes 4, 5 and 6)		
Net assets (Note 7):		
Unrestricted	20,284,814	20,293,542
Temporarily restricted	7,841,158	7,670,995
Permanently restricted	824,891	793,545
Total net assets	28,950,863	28,758,082
	$ 30,061,636	$ 29,576,668

See accompanying notes to financial statements.

Boys & Girls Clubs of Central Florida, Inc.

Statements of Activities

Year Ended June 30,	2016 Unrestricted	2016 Temporarily Restricted	2016 Permanently Restricted	2016 Total	2015 Unrestricted	2015 Temporarily Restricted	2015 Permanently Restricted	2015 Total
Revenues and support:								
Government revenues	$ 4,596,534	$ –	$ –	$ 4,596,534	$ 4,212,586	$ –	$ –	$ 4,212,586
Contributions	2,011,765	1,814,221	31,346	3,857,332	2,199,054	1,167,211	–	3,366,265
In-kind contributions (Note 1)	3,204,267	–	–	3,204,267	1,913,971	–	–	1,913,971
United Way	426,217	351,355	–	777,572	646,948	309,502	–	956,450
Special events	1,182,375	–	–	1,182,375	1,006,251	–	–	1,006,251
Dues and program services	523,840	–	–	523,840	591,012	–	–	591,012
Investment income (Note 2)	198,752	21,937	–	220,689	114,839	3,877	–	118,716
Other revenues	108,116	–	–	108,116	78,647	–	–	78,647
Impairment on land held for sale (Note 1)	–	–	–	–	(350,000)	–	–	(350,000)
Net assets released from restrictions (Note 7)	2,017,350	(2,017,350)	–	–	1,009,430	(1,009,430)	–	–
Total revenues and support	14,269,216	170,163	31,346	14,470,725	11,422,738	471,160	–	11,893,898
Expenses:								
Program services	10,425,089	–	–	10,425,089	9,159,053	–	–	9,159,053
Supporting services:								
Management and general	1,916,172	–	–	1,916,172	2,003,015	–	–	2,003,015
Fundraising	1,936,683	–	–	1,936,683	1,500,316	–	–	1,500,316
Total expenses	14,277,944	–	–	14,277,944	12,662,384	–	–	12,662,384
Change in net assets	(8,728)	170,163	31,346	192,781	(1,239,646)	471,160	–	(768,486)
Net assets, beginning of year	20,293,542	7,670,995	793,545	28,758,082	21,533,188	7,199,835	793,545	29,526,568
Net assets, end of year	$20,284,814	$ 7,841,158	$ 824,891	$28,950,863	$ 20,293,542	$ 7,670,995	$ 793,545	$ 28,758,082

See accompanying notes to financial statements.

Boys & Girls Clubs of Central Florida, Inc.

Statements of Cash Flows

Year Ended June 30,	**2016**	2015
Cash flows from operating activities:		
Change in net assets	**$ 192,781**	$ (768,486)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	**624,964**	643,004
Amortization of pledge discount	**(6,929)**	22,650
Provision for uncollectible contributions	**164,678**	141,956
Donated property and equipment	**(83,328)**	–
Donated stock	**(301,835)**	(62,787)
Impairment on land held for sale	**–**	350,000
Net realized and unrealized (gain) loss on investments	**(22,700)**	112,256
Cash provided by (used for):		
Grants receivable	**(47,015)**	2,668
Contributions receivable	**(825,989)**	(407,490)
Prepaid expenses	**(71,726)**	10,129
Other assets	**965**	215
Accounts payable and accrued compensation	**161,029**	(128,684)
Deferred revenue	**131,158**	(126,558)
Net cash used for operating activities	**(83,947)**	(211,127)
Cash flows from investing activities:		
Purchase of property and equipment	**(669,508)**	(91,126)
Purchase of investments	**(2,001,864)**	(6,734,847)
Proceeds from sales of investments	**1,993,080**	6,582,839
Net cash used for investing activities	**(678,292)**	(243,134)
Net decrease in cash and cash equivalents	**(762,239)**	(454,261)
Cash and cash equivalents, beginning of year	**4,634,097**	5,088,358
Cash and cash equivalents, end of year	**$ 3,871,858**	$ 4,634,097

See accompanying notes to financial statements.

Boys & Girls Clubs of Central Florida, Inc.

Statements of Functional Expenses

	2016				2015			
		Supporting Services				Supporting services		
Year Ended June 30,	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel:								
Salaries	**$ 4,029,865**	**$ 891,667**	**$ 577,816**	**$ 5,499,348**	$ 3,830,046	$ 1,009,422	$ 637,646	$ 5,477,114
Employee benefits	**443,809**	**142,768**	**92,084**	**678,661**	434,140	168,412	88,239	690,791
Payroll taxes	**323,102**	**62,134**	**37,299**	**422,535**	324,262	68,446	38,551	431,259
	4,796,776	**1,096,569**	**707,199**	**6,600,544**	4,588,448	1,246,280	764,436	6,599,164
Other:								
Occupancy	**307,933**	**47,943**	**6,120**	**361,996**	282,954	45,585	6,230	334,769
Building repairs and maintenance	**302,438**	**35,221**	**8,237**	**345,896**	284,347	27,629	5,335	317,311
Equipment expenses	**170,808**	**29,448**	**28,654**	**228,910**	143,666	33,042	43,341	220,049
Transportation	**257,490**	**26,550**	**13,360**	**297,400**	245,074	40,169	16,670	301,913
Program materials	**1,229,819**	**21,760**	**146,544**	**1,398,123**	968,448	21,898	105,154	1,095,500
In-kind expenses	**2,251,599**	**2,850**	**862,453**	**3,116,902**	1,549,679	13,328	350,964	1,913,971
Professional fees	**14,726**	**44,178**	**–**	**58,904**	14,665	36,574	–	51,239
Pre-employment fees	**33,950**	**17,139**	**666**	**51,755**	37,770	14,022	734	52,526
Contract services	**262,974**	**171,609**	**9,500**	**444,083**	203,312	128,847	7,258	339,417
Insurance	**203,463**	**21,728**	**–**	**225,191**	190,620	20,495	–	211,115
Postage, supplies and printing	**23,493**	**15,805**	**22,281**	**61,579**	50,791	19,582	30,227	100,600
Training	**24,404**	**18,347**	**2,570**	**45,321**	31,950	22,551	1,375	55,876
Dues and subscriptions	**50,117**	**19,940**	**4,091**	**74,148**	49,949	22,407	2,835	75,191
Service charges	**7,887**	**17,425**	**16,757**	**42,069**	9,378	20,317	15,663	45,358
Miscellaneous	**4,670**	**187,475**	**2,072**	**194,217**	3,221	152,506	12,474	168,201
Capital campaign expenses	**–**	**–**	**105,942**	**105,942**	–	–	137,180	137,180
Total other expenses	**5,145,771**	**677,418**	**1,229,247**	**7,052,436**	4,065,824	618,952	735,440	5,420,216
Total expenses before depreciation	**9,942,547**	**1,773,987**	**1,936,446**	**13,652,980**	8,654,272	1,865,232	1,499,876	12,019,380
Depreciation	**482,542**	**142,185**	**237**	**624,964**	504,781	137,783	440	643,004
Total expenses	**$ 10,425,089**	**$ 1,916,172**	**$ 1,936,683**	**$ 14,277,944**	$ 9,159,053	$ 2,003,015	$ 1,500,316	$ 12,662,384

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Nature of Organization

Boys & Girls Clubs of Central Florida, Inc. (the "Organization") is a nonprofit organization that was established to provide behavioral prudence and to promote the health and the social, educational, vocational and character development of boys and girls in the Central Florida area.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are stated at fair value. Realized and unrealized gains and losses are reflected in the statements of activities and are combined with investment income earned during the period.

Grants Receivable

Grants receivable represent amounts owed to the Organization from federal, state and local governments for services rendered under contractual obligations and grants from Boys & Girls Club of America, corporations and foundations. All outstanding grants receivable are considered collectible and an allowance for uncollectible amounts was not recorded.

Contributions Receivable

Contributions receivable consist of unconditional promises to give and are recorded when the promises to contribute are made. Contributions receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Organization provides an allowance for uncollectible contributions based on historical collection experience.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value on the date received if donated. Buildings and equipment are depreciated using the straight-line method over the estimated life of the assets.

In-Kind Contributions

The Organization received the following in-kind contributions, which were included on the statements of activities:

Year Ended June 30,	**2016**	2015
Facilities rent	**$ 1,387,288**	$ 1,314,551
Advertising	**841,367**	–
Auction items	**215,486**	229,741
Theme park tickets	**140,628**	95,934
Other	**619,498**	273,745
Total	**$ 3,204,267**	$ 1,913,971

Contributed services are recognized as contributions and recorded at fair value if the services create or enhance nonfinancial assets, require specialized skills and are performed by people with those skills and would otherwise be purchased by the Organization. During the years ended June 30, 2016 and 2015, the Organization received approximately $164,000 and $136,000, respectively, of contributed services consisting mainly of transportation, technology and construction services which is reflected in the accompanying statements of activities. During the year, numerous volunteers provided assistance in the Organization's program services and fundraising campaigns which are not recognized in the accompanying financial statements.

Impairment of Long-Lived Assets and Land Held for Sale

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During fiscal 2015, the Organization recorded an impairment of $350,000 on idle land now held for sale. Fair value for this property was estimated based on the listing price, which is based on comparable sales of similar properties in the market. As of the date of these financial statements, the Organization has not sold this property, however it has an offer to purchase at an amount not materially different from its carrying value.

Revenues

A significant portion of the Organization's government contracts and certain United Way grants are exchange transactions in which each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions and, as such, are deemed to be earned and reported as revenue when such funds have been expended towards the designated purpose. Funds received in advance under contractual obligations for which services have yet to be performed are recognized as deferred revenue.

Special event revenue is recognized when the event takes place.

Dues and program services are recognized as revenue as services are provided.

Contributions and Donor-Imposed Restrictions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction. If a temporary restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain expenses have been allocated among the program and supporting services directly benefited. Other expenses are allocated based on management's estimate of the benefit derived by each activity.

Fair Value of Financial Instruments

The Organization reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation based on observable quoted prices for similar assets and liabilities in active markets.

Level 3 – Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, contributions and grants receivable due in one year or less, and accounts payable and accrued compensation. Contributions due beyond one year are recorded at their net present value using a risk-free interest rate available on U.S. Treasury issues at the date the pledge was made with an equivalent term approximately equal to the number of years the contribution will be paid, which approximates fair value.

The Organization's Level 1 financial assets consist of investments identified in Note 2 and are valued on a daily basis in an active market. There were no Level 2 or 3 financial assets or liabilities.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions in the Florida Income Tax Code.

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Organization's tax years currently subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements Issued but Not Yet Adopted

Financial Statement Presentation of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statements of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its financial statements.

Revenue

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The new standard allows for early adoption for annual periods beginning after December 15, 2016. The Organization is currently evaluating the impact of its pending adoption of ASU 2014-09 on its financial statements and has not yet determined the method by which it will adopt the standard.

Reclassification

Certain items have been reclassified in the 2015 financial statements to conform to the 2016 presentation.

2. Investments

The Organization's investments consist of the following:

June 30,	**2016**	2015
Level 1:		
Fixed income mutual funds	**$ 1,712,929**	$ 1,700,592
Fixed income Exchange Traded Funds	**1,521,362**	1,470,481
Equities	**4,211,713**	3,959,062
Equity mutual funds	**91,999**	74,549
	$ 7,538,003	$ 7,204,684

Year Ended June 30,	**2016**	2015
Net realized and unrealized gain (loss) on investments	**$ 22,700**	$ (112,256)
Dividends and interest	**197,989**	230,972
	$ 220,689	$ 118,716

3. Contributions Receivable

Contributions receivable are due as follows:

June 30,	2016	2015
Less than one year	**$ 1,416,704**	$ 1,226,727
One to five years	**1,191,239**	787,358
	2,607,943	2,014,085
Less: allowance for uncollectible contributions	**(205,172)**	(272,625)
Less: present value discount ranging from 0.72% to 3.34%	**(21,930)**	(28,859)
	$ 2,380,841	$ 1,712,601
Contributions receivable current portion, net	**$ 1,314,118**	$ 1,184,630
Contributions receivable, long term, net	**1,066,723**	527,971
	$ 2,380,841	$ 1,712,601

4. Property and Equipment

Property and equipment is summarized as follows:

June 30,	Useful Life	2016	2015
Land	–	**$ 449,750**	$ 449,750
Buildings and improvements	5-40 years	**17,316,547**	17,121,534
Furniture and equipment	5-10 years	**1,525,139**	1,479,947
Automotive equipment	5 years	**357,741**	357,741
Building in progress	–	**514,108**	–
		20,163,285	19,408,972
Less: accumulated depreciation		**(5,121,394)**	(4,494,953)
		$ 15,041,891	$ 14,914,019

The estimated cost to complete the building in progress is approximately $3,500,000 and is expected to be completed in August 2017.

5. Commitments and Contingencies

Operating Leases

The Organization has entered into non-cancelable leases for office and program space under agreements with maturity dates of one year or less. Rental expense for the years ended June 30, 2016 and 2015, was $42,723 and $26,659, respectively, and is included in occupancy on the statements of functional expenses. Since many of the Organization’s leases are month-to-month, the minimum contractual future rental payments are nominal.

Legal

The Organization is subject to claims and legal proceedings which arise in the ordinary course of business. Management believes that losses resulting from these matters, if any, would not have a material adverse effect on the financial position or results of activities of the Organization.

6. Profit-Sharing Plan

The Organization established a 401(k) profit sharing plan (the "Plan") effective January 1, 2005. Employees must be 21 years of age and must have completed one year of full-time employment before they become eligible to participate. The Plan provides a graded vesting schedule from two to six years of service. Effective January 1, 2011, the Plan was amended to provide that the Organization will contribute the equivalent of 7% of the employee's salary as a profit sharing contribution and provides for a safe harbor match whereby the Organization will contribute, on a matching basis, a dollar for dollar match on the first 3% of employee contribution and a 50% match on the next 2%. The Organization's policy is to fund the Plan's cost. Contributions to the Plan for the years ended June 30, 2016 and 2015, were $281,403 and $269,354, respectively, and are included in employee benefits in the statements of functional expenses.

7. Net Assets

Unrestricted

Unrestricted net assets consist of the following:

June 30,	**2016**	2015
Property and equipment	**$ 15,041,891**	$ 14,914,019
Board-designated capital replacement reserve	**1,617,358**	1,493,267
Undesignated net assets	**3,625,565**	3,886,256
	$ 20,284,814	$ 20,293,542

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

June 30,	**2016**	2015
Capital expenditures	**$ 5,413,738**	$ 5,126,827
United Way time restricted grants	**383,984**	309,502
Time restricted contributions	**1,182,297**	1,287,251
Program operations	**861,213**	947,415
	$ 7,841,158	$ 7,670,995

The intent of the Organization's capital fundraising campaign, as determined by the Board, is that upon satisfaction of donors' restrictions for capital expenditures, any remaining contributions not spent will be designated by the Board and become a board-designated capital replacement reserve for operating the related capital projects, at which time the remaining funds will be released to unrestricted net assets.

Net assets were released from donor restrictions as follows:

Year Ended June 30,	**2016**	2015
Capital expenditures	**$ 620,050**	$ –
United Way time restricted grants	**276,947**	154,999
Time restricted contributions	**590,769**	369,368
Program operations	**529,584**	485,063
	$ 2,017,350	$ 1,009,430

Permanently Restricted

The Organization records its donor restricted endowment funds as permanently restricted net assets. These assets consist of investments held in perpetuity with investment income used to support general operations, the Youth of the Year program and the Eatonville Club operations. Permanently restricted net assets include the principal of endowments that must be maintained permanently and not used up, expended or otherwise exhausted. The Organization's return objective for the endowment fund is low yield based on risk parameters that are also very low to protect the endowment corpus. The amount of funds available for distributions is determined on the basis of a total-return principal and will not be dependent upon income generated through interest or dividends. The funds available for distribution during any one year will be limited to 5 percent of the market value of the corpus, effective December 31 of the given year. Distributions may also be made upon written request of the President, with Board approval.

Changes in the Organization's endowment's net assets for the years ended June 30, 2016 and 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets at June 30, 2014	$ 8,025	$ 260,974	$ 793,545
Interest and dividends	264	26,392	–
Net realized and unrealized loss on investments	(155)	(13,282)	–
Investment fees	(323)	(9,233)	–
Endowment net assets at June 30, 2015	7,811	264,851	793,545
Contributed support	–	–	31,346
Interest and dividends	367	23,636	–
Net realized and unrealized gain (loss) on investments	(1,015)	3,230	–
Investment fees	(319)	(4,929)	–
Endowment net assets at June 30, 2016	**$ 6,844**	**$ 286,788**	**$ 824,891**

The Board of Directors of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA or as unrestricted net assets. In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purposes of the Organization and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Organization;
(7) The investment policies of the Organization.

8. Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents and investments. Cash and cash equivalents include checking and money market accounts placed with federally insured financial institutions and investments. Cash and cash equivalents may at times exceed federally insured limits. The Organization has not experienced any losses on such accounts. Investments consist primarily of fixed income mutual funds, equity mutual funds and equities. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the current investment strategy is prudent for the long-term welfare of the Organization.

9. Economic Dependency

The Organization earned revenues from Orange County, Florida, which represents 14% and 16% of the Organization's total revenue and support for the years ended June 30, 2016 and 2015, respectively. In addition, during 2016 and 2015, the Organization earned revenues from the federal government which represented approximately 13% and 10%, respectively, of the Organization's total revenue and support. As such, the Organization is dependent upon the continued support of Orange County, Florida and the federal government to provide funding for the Organization's programs and operations.

10. Related Party Transactions

In the ordinary course of business, the Organization enters into transactions with other organizations that have individuals who serve on the Organization's Board of Directors. These transactions are made at arm's length. The Organization obtains its general liability and property insurance through a company whose owner is also a member of the Board of Directors. Amounts paid to this company were $299,027 and $293,125, for the years ended June 30, 2016 and 2015, respectively. During 2016 and 2015, the Organization also paid a vendor $36,466 and $88,387, respectively, for janitorial services whose CEO is also a member of the Board of Directors. During 2016, the Organization paid a vendor $14,108, for legal fees associated with the building of the Hughes Club who is also a member of the Board of Directors. Details of all related party transactions which meet applicable reporting requirements can be found in Internal Revenue Service Form 990 which the Organization files annually.

11. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to June 30, 2016 as of December 2, 2016, which is the date the financial statements were available to be issued. Subsequent events occurring after December 2, 2016 have not been evaluated by management. No material events have occurred since June 30, 2016, that require recognition or disclosure in the financial statements.