



# **Boys & Girls Clubs of Central Florida, Inc.**

**Financial Statements**  
Years Ended June 30, 2017 and 2016

**Boys & Girls Clubs of Central Florida, Inc.**

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Financial Statements  
Years Ended June 30, 2017 and 2016

# Boys & Girls Clubs of Central Florida, Inc.

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## 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, 2017 and 2016, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 the Organization as of June 30, 2017 and 2016, 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  
Certified Public Accountants  
December 4, 2017

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## Financial Statements

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# Boys & Girls Clubs of Central Florida, Inc.

## Statements of Financial Position

<i>June 30,</i>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current:</b>		
Cash and cash equivalents	\$ 6,197,386	\$ 3,871,858
Investments (Note 2)	5,911,179	7,538,003
Grants receivable	934,385	693,857
Contributions receivable, current portion, net (Note 3)	2,241,367	1,314,118
Prepaid expenses	273,437	233,076
Land held for sale	190,000	250,000
<b>Total current assets</b>	<b>15,747,754</b>	<b>13,900,912</b>
<b>Property and equipment, net (Note 4)</b>	<b>14,547,014</b>	<b>15,041,891</b>
<b>Other assets:</b>		
Contributions receivable, long term, net (Note 3)	1,979,054	1,066,723
Other	52,110	52,110
<b>Total other assets</b>	<b>2,031,164</b>	<b>1,118,833</b>
	<b>\$ 32,325,932</b>	<b>\$ 30,061,636</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 206,117	\$ 181,990
Accrued compensation	303,515	541,607
Deferred revenues	280,478	387,176
<b>Total current liabilities</b>	<b>790,110</b>	<b>1,110,773</b>
<b>Commitments and contingencies (Notes 4, 5 and 6)</b>		
<b>Net assets (Note 7):</b>		
Unrestricted	19,883,526	20,284,814
Temporarily restricted	10,442,610	7,841,158
Permanently restricted	1,209,686	824,891
<b>Total net assets</b>	<b>31,535,822</b>	<b>28,950,863</b>
	<b>\$ 32,325,932</b>	<b>\$ 30,061,636</b>

*See accompanying notes to financial statements.*

# Boys & Girls Clubs of Central Florida, Inc.

## Statements of Activities

<i>Year Ended June 30,</i>	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, support and gains (losses):</b>								
Government revenues	\$ 5,196,358	\$ -	\$ -	\$ 5,196,358	\$ 4,596,534	\$ -	\$ -	\$ 4,596,534
Contributions	2,043,741	3,728,183	384,795	6,156,719	2,011,765	1,814,221	31,346	3,857,332
In-kind contributions (Note 1)	2,579,594	-	-	2,579,594	3,204,267	-	-	3,204,267
United Way	488,837	90,553	-	579,390	426,217	351,355	-	777,572
Special events	1,162,913	-	-	1,162,913	1,182,375	-	-	1,182,375
Dues and program services	661,998	-	-	661,998	523,840	-	-	523,840
Investment income (Note 2)	550,927	108,982	-	659,909	198,752	21,937	-	220,689
Other revenues	512,480	-	-	512,480	108,116	-	-	108,116
Impairment loss on land held for sale (Note 1)	(60,000)	-	-	(60,000)	-	-	-	-
Net assets released from restrictions (Note 7)	1,326,266	(1,326,266)	-	-	2,017,350	(2,017,350)	-	-
<b>Total revenues, support and gains (losses)</b>	<b>14,463,114</b>	<b>2,601,452</b>	<b>384,795</b>	<b>17,449,361</b>	<b>14,269,216</b>	<b>170,163</b>	<b>31,346</b>	<b>14,470,725</b>
<b>Expenses:</b>								
Program services	11,529,364	-	-	11,529,364	10,425,089	-	-	10,425,089
Supporting services:								
Management and general	1,801,938	-	-	1,801,938	1,916,172	-	-	1,916,172
Fundraising	1,533,100	-	-	1,533,100	1,936,683	-	-	1,936,683
<b>Total expenses</b>	<b>14,864,402</b>	<b>-</b>	<b>-</b>	<b>14,864,402</b>	<b>14,277,944</b>	<b>-</b>	<b>-</b>	<b>14,277,944</b>
<b>Change in net assets</b>	<b>(401,288)</b>	<b>2,601,452</b>	<b>384,795</b>	<b>2,584,959</b>	<b>(8,728)</b>	<b>170,163</b>	<b>31,346</b>	<b>192,781</b>
<b>Net assets, beginning of year</b>	<b>20,284,814</b>	<b>7,841,158</b>	<b>824,891</b>	<b>28,950,863</b>	<b>20,293,542</b>	<b>7,670,995</b>	<b>793,545</b>	<b>28,758,082</b>
<b>Net assets, end of year</b>	<b>\$19,883,526</b>	<b>\$10,442,610</b>	<b>\$ 1,209,686</b>	<b>\$31,535,822</b>	<b>\$ 20,284,814</b>	<b>\$ 7,841,158</b>	<b>\$ 824,891</b>	<b>\$ 28,950,863</b>

*See accompanying notes to financial statements.*

# Boys & Girls Clubs of Central Florida, Inc.

## Statements of Cash Flows

<i>Year Ended June 30,</i>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,584,959	\$ 192,781
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	584,250	624,964
Amortization of pledge discount	50,375	(6,929)
Provision for uncollectible contributions	79,892	164,678
Donated property and equipment	(1,600)	(83,328)
Donated stock	(138,366)	(301,835)
Impairment loss on land held for sale	60,000	-
Net realized and unrealized gain on investments	(486,465)	(22,700)
Cash provided by (used for):		
Grants receivable	(240,528)	(47,015)
Contributions receivable	(1,969,847)	(825,989)
Prepaid expenses	(40,361)	(71,726)
Other assets	-	965
Accounts payable and accrued compensation	(226,838)	161,029
Deferred revenue	12,873	-
Deferred rent expense	(106,698)	131,158
<b>Net cash provided by (used for) operating activities</b>	<b>161,646</b>	<b>(83,947)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(87,773)	(669,508)
Transfer to cash for purchase of a club	3,000,013	-
Purchase of investments	(1,885,365)	(2,001,864)
Proceeds from sale of investments	1,137,007	1,993,080
<b>Net cash provided by (used for) investing activities</b>	<b>2,163,882</b>	<b>(678,292)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,325,528</b>	<b>(762,239)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,871,858</b>	<b>4,634,097</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 6,197,386</b>	<b>\$ 3,871,858</b>

*See accompanying notes to financial statements.*



# Boys & Girls Clubs of Central Florida, Inc.

## Statements of Functional Expenses

Year Ended June 30,	2017				2016			
	Program Services	Supporting Services		Total	Program Services	Supporting services		Total
		Management and General	Fundraising			Management and General	Fundraising	
<b>Personnel:</b>								
Salaries	\$ 4,262,550	\$ 956,004	\$ 539,916	\$ 5,758,470	\$ 4,029,865	\$ 891,667	\$ 577,816	\$ 5,499,348
Employee benefits	461,163	158,629	94,382	714,174	443,809	142,768	92,084	678,661
Payroll taxes	321,908	68,058	36,507	426,473	323,102	62,134	37,299	422,535
	5,045,621	1,182,691	670,805	6,899,117	4,796,776	1,096,569	707,199	6,600,544
<b>Other:</b>								
Occupancy	395,335	33,032	7,254	435,621	307,933	47,943	6,120	361,996
Building repairs and maintenance	312,901	4,867	10,238	328,006	302,438	35,221	8,237	345,896
Equipment expenses	226,931	25,868	18,941	271,740	170,808	29,448	28,654	228,910
Transportation	345,526	35,991	17,337	398,854	257,490	26,550	13,360	297,400
Program materials	1,845,404	26,693	164,526	2,036,623	1,229,819	21,760	146,544	1,398,123
In-kind expenses	2,096,623	76,097	405,275	2,577,995	2,251,599	2,850	862,453	3,116,902
Professional fees	14,479	43,436	-	57,915	14,726	44,178	-	58,904
Pre-employment fees	37,759	8,119	61	45,939	33,950	17,139	666	51,755
Contract services	318,025	138,966	24,213	481,204	262,974	171,609	9,500	444,083
Insurance	220,513	14,724	-	235,237	203,463	21,728	-	225,191
Postage, supplies and printing	39,514	23,723	16,569	79,806	23,493	15,805	22,281	61,579
Training	13,809	11,691	1,422	26,922	24,404	18,347	2,570	45,321
Dues and subscriptions	34,175	18,132	5,430	57,737	50,117	19,940	4,091	74,148
Service charges	14,418	28,067	14,871	57,356	7,887	17,425	16,757	42,069
Miscellaneous	8,377	106,277	4,293	118,947	4,670	187,475	2,072	194,217
Capital campaign expenses	-	-	171,133	171,133	-	-	105,942	105,942
<b>Total other expenses</b>	5,923,789	595,683	861,563	7,381,035	5,145,771	677,418	1,229,247	7,052,436
<b>Total expenses before depreciation</b>	10,969,410	1,778,374	1,532,368	14,280,152	9,942,547	1,773,987	1,936,446	13,652,980
<b>Depreciation</b>	559,954	23,564	732	584,250	482,542	142,185	237	624,964
<b>Total expenses</b>	\$ 11,529,364	\$ 1,801,938	\$ 1,533,100	\$ 14,864,402	\$ 10,425,089	\$ 1,916,172	\$ 1,936,683	\$ 14,277,944

*See accompanying notes to financial statements.*

# Boys & Girls Clubs of Central Florida, Inc.

## Notes to Financial Statements

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### 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.

#### *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that the net assets be held and invested in perpetuity.

#### *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.

# Boys & Girls Clubs of Central Florida, Inc.

## Notes to Financial Statements

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### *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 are included in the statements of activities:

<i>Year Ended June 30,</i>	<b>2017</b>	<b>2016</b>
Facilities rent	\$ 1,410,399	\$ 1,387,288
Advertising	178,099	841,367
Auction items	193,315	215,486
Theme park tickets	385,038	140,628
Other	412,743	619,498
<b>Total</b>	<b>\$ 2,579,594</b>	<b>\$ 3,204,267</b>

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, 2017 and 2016, the Organization received approximately \$178,000 and \$164,000, respectively, of contributed services consisting mainly of transportation, technology and construction services which is reflected in the accompanying statements of activities. The Organization has numerous volunteers providing assistance to 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 2017, the Organization recorded an impairment on idle land held for sale of \$60,000. Fair value for this property was based on a sales offer for the property. As of the date of these financial statements, the Organization has not sold this property.

# Boys & Girls Clubs of Central Florida, Inc.

## Notes to Financial Statements

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### *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.

# Boys & Girls Clubs of Central Florida, Inc.

## Notes to Financial Statements

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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.

# Boys & Girls Clubs of Central Florida, Inc.

## Notes to Financial Statements

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### *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 Recognition*

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.

# Boys & Girls Clubs of Central Florida, Inc.

## Notes to Financial Statements

### 2. Investments

The Organization's investments consist of the following:

<i>June 30,</i>	<b>2017</b>	<b>2016</b>
Level 1:		
Fixed income mutual funds	\$ 1,396,100	\$ 1,712,929
Fixed income exchange traded funds	1,128,190	1,521,362
Equities	3,386,889	4,211,713
Equity mutual funds	-	91,999
	<b>\$ 5,911,179</b>	<b>\$ 7,538,003</b>
<i>Year Ended June 30,</i>	<b>2017</b>	<b>2016</b>
Net realized and unrealized gain on investments	\$ 486,465	\$ 22,700
Dividends and interest	173,444	197,989
	<b>\$ 659,909</b>	<b>\$ 220,689</b>

### 3. Contributions Receivable

Contributions receivable are due as follows:

<i>June 30,</i>	<b>2017</b>	<b>2016</b>
Less than one year	\$ 2,334,082	\$ 1,416,704
One to five years	2,132,582	1,191,239
More than five years	11,496	-
	<b>4,478,160</b>	<b>2,607,943</b>
Less: allowance for uncollectible contributions	(185,433)	(205,172)
Less: present value discount ranging from 0.72% to 3.34%	(72,306)	(21,930)
	<b>\$ 4,220,421</b>	<b>\$ 2,380,841</b>
Contributions receivable current portion, net	\$ 2,241,367	\$ 1,314,118
Contributions receivable, long term, net	1,979,054	1,066,723
	<b>\$ 4,220,421</b>	<b>\$ 2,380,841</b>

# Boys & Girls Clubs of Central Florida, Inc.

## Notes to Financial Statements

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### 4. Property and Equipment

Property and equipment is summarized as follows:

<i>June 30,</i>	Useful Life	2017	2016
Land	-	\$ 449,750	\$ 449,750
Buildings and improvements	5-40 years	17,338,189	17,316,547
Furniture and equipment	5-10 years	1,592,869	1,525,139
Automotive equipment	5 years	357,741	357,741
Building in progress	-	514,108	514,108
		<b>20,252,657</b>	20,163,285
Less: accumulated depreciation		<b>(5,705,643)</b>	(5,121,394)
		<b>\$ 14,547,014</b>	<b>\$ 15,041,891</b>

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The estimated cost to complete the building in progress was approximately \$3,500,000. The building was completed in August 2017 and the Organization made a payment of \$3,100,000 in September 2017 (see Note 5, Hughes Club). The remaining balance is expected to be paid in December 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, 2017 and 2016, was \$96,936 and \$42,723, 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.

#### *Hughes Club*

On December 15, 2015, the Organization entered into a Lease and Development Agreement (the "Agreement") with the School Board of Orange County (School Board) for the construction and lease of a downtown club in the Parramore area. Under this contract, the School Board is building a school where they have designated certain areas available for the exclusive use of the Organization for its programs. The Organization agreed to make a capital contribution of \$4,000,000 to the School Board for the costs of construction of the facility and the School Board agreed to lease the facility to the Organization for 99 years at \$1 per year. The capital contribution is to be paid as follows: \$500,000 upon the issuance of notice to proceed with construction, \$3,100,000 upon substantial completion, and \$400,000 upon approval of certificate of final completion by both parties. \$500,000 of capital contribution was paid during fiscal year 2016 and is included in building in progress as of June 30, 2017 and 2016.



# Boys & Girls Clubs of Central Florida, Inc.

## Notes to Financial Statements

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The building was completed in August 2017 and the Organization made a capital contribution of \$3,100,000 in September 2017. The remaining balance of \$400,000 will be due upon approval of final completion by both parties and is expected to be paid in December 2017. The Agreement was amended on September 20, 2017 to identify the commencement date of the lease with the School Board (see Note 11).

### *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. 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, 2017 and 2016, were \$311,119 and \$281,403, respectively, and are included in employee benefits in the statements of functional expenses.

### **7. Net Assets**

#### *Unrestricted*

Unrestricted net assets consist of the following:

<i>June 30,</i>	<b>2017</b>	<b>2016</b>
Designated for property and equipment	<b>\$ 14,547,014</b>	\$ 15,041,891
Board-designated capital replacement reserve	<b>1,749,624</b>	1,617,358
Undesignated net assets	<b>3,586,888</b>	3,625,565
	<b>\$ 19,883,526</b>	\$ 20,284,814

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## Notes to Financial Statements

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### *Temporarily Restricted*

Temporarily restricted net assets are available for the following purposes:

<i>June 30,</i>	<b>2017</b>	<b>2016</b>
Capital expenditures	\$ 7,433,060	\$ 5,413,738
United Way time restricted grants	140,835	383,910
Time restricted contributions	1,278,841	1,182,297
Program operations	1,589,874	861,213
	<b>\$ 10,442,610</b>	<b>\$ 7,841,158</b>

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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:

<i>Year Ended June 30,</i>	<b>2017</b>	<b>2016</b>
Capital expenditures	\$ 171,133	\$ 620,050
United Way time restricted grants	333,628	276,947
Time restricted contributions	429,827	590,769
Program operations	391,678	529,584
	<b>\$ 1,326,266</b>	<b>\$ 2,017,350</b>

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### *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 five 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.

# Boys & Girls Clubs of Central Florida, Inc.

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Changes in the Organization's endowment's net assets for the years ended June 30, 2017 and 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
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
Contributed support	-	-	384,795
Interest and dividends	447	28,516	-
Net realized and unrealized gain on investments	4,585	91,094	-
Investment fees	(341)	(10,629)	-
Distributions	-	(594)	-
Endowment net assets at June 30, 2017	<b>\$ 11,535</b>	<b>\$ 395,175</b>	<b>\$ 1,209,686</b>

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.

# Boys & Girls Clubs of Central Florida, Inc.

## Notes to Financial Statements

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### 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 and exchange traded 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 13% and 14% of the Organization's total revenue and support for the years ended June 30, 2017 and 2016, respectively. In addition, during 2017 and 2016, the Organization earned revenues from the federal government which represented approximately 14% and 13%, 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 \$316,659 and \$299,027, for the years ended June 30, 2017 and 2016, respectively. During 2016, the Organization also paid a vendor \$36,466 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, 2017 as of December 4, 2017, which is the date the financial statements were available to be issued. Subsequent events occurring after December 4, 2017 have not been evaluated by management. No material events have occurred since June 30, 2017 that require recognition or disclosure in the financial statements, except as follows:

Upon completion of the Hughes Club (see Note 5) on September 20, 2017, the Organization entered into an amendment to the Lease and Development Agreement with the School Board to begin on July 18, 2017 for a term of 99 years at \$1 per year.

# Boys & Girls Clubs of Central Florida, Inc.

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Effective July, 1, 2017, the Organization entered into a Support Agreement and Lease Agreement with The Boys & Girls Club of Nassau County Foundation, Inc. (Nassau Foundation) which provides for the transfer of the assets of The Boys & Girls Club of Nassau County, LLC (the sole member of which is Nassau Foundation) related two clubs it is currently operating (together with future clubs in Nassau County, together, the “Nassau Clubs”) and the hiring of certain of its employees and leasing of its facilities. The Nassau Clubs will be managed and operated by the Organization and Nassau Foundation will fund the operations. In addition, the Nassau Foundation will pay quarterly to the Organization an administrative fee of 8% of the direct operational expenses of the Nassau Clubs. The Support Agreement can be terminated by either party upon six months’ notice in writing. The Lease Agreement provides for annual payments of \$10 through June 30, 2018 with automatic annual extensions unless terminated by either party in writing 30 days prior to the end of the term.

On September 22, 2017, the Organization entered into a Management and Asset Transfer Agreement (Management Agreement) with the Boys & Girls Club of Lake and Sumter Counties, Inc. (BGCLSC) which expired on November 1, 2017. The Management Agreement provided for the transfer of all of the assets of BGCLSC related to five clubs it is currently operating and hiring of certain of its employees. The transfer of the assets of BGCLSC was completed on November 1, 2017, and the Organization became the surviving entity and BGCLSC is expected to be fully dissolved by December 31, 2017.