



Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Consolidated Financial Statements
and Supplementary Information
Years Ended June 30, 2019 and 2018

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Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of Central Florida, Inc. and its subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2019 and 2018, 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

Certified Public Accountants
December 5, 2019

Consolidated Financial Statements

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Consolidated Statements of Financial Position

<i>June 30,</i>	2019	2018
Assets		
Current:		
Cash and cash equivalents	\$ 1,544,883	\$ 3,328,806
Grants and contributions receivable, current portion, net	7,631,863	4,573,272
Prepaid expenses	233,690	234,899
Land held for sale	30,100	220,100
Total current assets	9,440,536	8,357,077
Property and equipment, net	19,097,288	17,771,343
Other assets:		
Assets limited as to use	18,168,241	16,882,361
Investments	6,582,453	6,148,129
Contributions receivable, long term, net	2,506,949	4,252,242
Other	78,906	70,999
Total other assets	27,336,549	27,353,731
	\$ 55,874,373	\$ 53,482,151
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 431,024	\$ 397,550
Accrued expenses	354,805	322,636
Deferred revenues	121,778	178,727
Total current liabilities	907,607	898,913
Commitments and contingencies (Note 9)		
Net assets:		
Without donor restrictions	38,683,323	37,688,374
With donor restrictions	16,283,443	14,894,864
Total net assets	54,966,766	52,583,238
	\$ 55,874,373	\$ 53,482,151

See accompanying notes to consolidated financial statements.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Consolidated Statements of Activities

<i>Year Ended June 30,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:						
Government revenues	\$ 6,235,453	\$ —	\$ 6,235,453	\$ 5,196,558	\$ —	\$ 5,196,558
Contributions	3,169,956	1,558,697	4,728,653	3,318,952	1,345,796	4,664,748
In-kind contributions	3,117,131	—	3,117,131	2,619,765	—	2,619,765
United Way	320,546	269,319	589,865	558,309	201,615	759,924
Special events	1,256,174	—	1,256,174	895,456	—	895,456
Dues and program services	869,475	—	869,475	890,640	—	890,640
Other revenues	703,772	—	703,772	673,229	—	673,229
Net assets released from restrictions	2,739,210	(2,739,210)	—	5,503,885	(5,503,885)	—
Total operating revenues and support	18,411,717	(911,194)	17,500,523	19,656,794	(3,956,474)	15,700,320
Operating expenses:						
Program services	13,877,534	—	13,877,534	12,747,899	—	12,747,899
Supporting services:						
Management and general	2,854,902	—	2,854,902	2,469,253	—	2,469,253
Fundraising	1,739,379	—	1,739,379	1,901,840	—	1,901,840
Total operating expenses	18,471,815	—	18,471,815	17,118,992	—	17,118,992
Change in operating net assets	(60,098)	(911,194)	(971,292)	2,537,802	(3,956,474)	(1,418,672)
Non-operating revenues and support:						
Bequest - board designated endowment	—	—	—	14,116,771	—	14,116,771
Contributions restricted for capital projects	—	2,214,265	2,214,265	—	6,820,717	6,820,717
Investment return, net	1,055,047	85,508	1,140,555	367,173	82,913	450,086
Net assets contributed	—	—	—	783,102	295,412	1,078,514
Total non-operating revenues and support	1,055,047	2,299,773	3,354,820	15,267,046	7,199,042	22,466,088
Change in net assets	994,949	1,388,579	2,383,528	17,804,848	3,242,568	21,047,416
Net assets, beginning of year	37,688,374	14,894,864	52,583,238	19,883,526	11,652,296	31,535,822
Net assets, end of year	\$ 38,683,323	\$ 16,283,443	\$ 54,966,766	\$ 37,688,374	\$ 14,894,864	\$ 52,583,238

See accompanying notes to consolidated financial statements.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Consolidated Statements of Cash Flows

<i>Year Ended June 30,</i>	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,383,528	\$ 21,047,416
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Contributions restricted for capital projects	(2,214,265)	(6,820,717)
Contributions board-designated for endowment	—	(14,116,771)
Contribution of net assets	—	(1,078,514)
Depreciation	701,088	671,763
Amortization of pledge discount	(46,473)	80,924
Provision for uncollectible contributions	171,290	260,462
Donated property and equipment	(375,000)	(260,868)
Donated stock	(30,920)	(158,686)
Loss on sale of land held for sale	16,025	—
Investment return on non-operating investments	(1,140,555)	(450,086)
Cash provided by (used for):		
Grants and contributions receivable	(1,438,115)	(3,807,482)
Prepaid expenses	1,209	38,538
Other assets	(7,907)	(18,889)
Accounts payable and accrued expenses	65,643	123,009
Deferred revenue	(56,949)	(101,751)
Net cash used for operating activities	(1,971,401)	(4,591,652)
Cash flows from investing activities:		
Purchase of property and equipment	(1,652,033)	(3,469,348)
Proceeds from sale of land held for sale	173,975	—
Transfer of investments to cash	—	60,000
Cash return on non-operating investments	507,003	168,336
Purchase of investments	(7,206,291)	(1,795,033)
Proceeds from sale of investments	2,130,360	1,938,519
Net cash used for investing activities	(6,046,986)	(3,097,526)
Cash flows from financing activities:		
Contributions restricted for capital projects	2,214,265	6,820,717
Contributions board-designated for endowment	—	14,116,771
Contribution of cash in connection with net assets contributed	—	765,471
Net cash provided by financing activities	2,214,265	21,702,959
Net increase (decrease) in cash and cash equivalents	(5,804,122)	14,013,781
Cash and cash equivalents, beginning of year	20,211,167	6,197,386
Cash and cash equivalents, end of year	\$ 14,407,045	\$ 20,211,167

Cash and cash equivalents is included in the following captions on the consolidated statements of financial position:

<i>Year Ended June 30,</i>	2019	2018
Cash and cash equivalents	\$ 1,544,883	\$ 3,328,806
Assets limited as to use	12,862,162	16,882,361
	\$ 14,407,045	\$ 20,211,167

See accompanying notes to consolidated financial statements.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Consolidated Statements of Functional Expenses

Year Ended June 30,	2019				2018			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		Management and General	Fundraising			Management and General	Fundraising	
Personnel:								
Employee payroll	\$ 5,486,963	\$ 1,450,103	\$ 630,132	\$ 7,567,198	\$ 4,823,580	\$ 1,182,521	\$ 843,534	\$ 6,849,635
Employee benefits	625,962	259,842	116,042	1,001,846	445,589	153,423	156,789	755,801
Payroll taxes	416,567	120,358	31,382	568,307	402,223	113,416	66,311	581,950
	6,529,492	1,830,303	777,556	9,137,351	5,671,392	1,449,360	1,066,634	8,187,386
Other:								
Occupancy	2,309,580	69,823	5,015	2,384,418	2,284,731	64,463	4,180	2,353,374
Building repairs and maintenance	366,411	43,161	3,000	412,572	434,880	43,297	—	478,177
Equipment expenses	193,987	74,252	100,348	368,587	244,499	56,148	20,114	320,761
Transportation	338,149	47,627	21,562	407,338	393,326	41,484	9,490	444,300
Materials and supplies	2,601,095	48,391	392,670	3,042,156	2,275,221	29,473	295,956	2,600,650
Auction items for special events	—	—	268,181	268,181	—	—	155,802	155,802
Professional fees	10,000	159,085	—	169,085	334	241,795	—	242,129
Pre-employment fees	50,845	15,609	—	66,454	37,104	20,025	2,426	59,555
Contract services	387,572	185,206	22,041	594,819	256,135	123,775	17,027	396,937
Insurance	208,569	19,398	—	227,967	239,127	21,880	—	261,007
Postage, supplies and printing	32,610	44,573	12,588	89,771	48,770	35,882	8,653	93,305
Training	41,985	7,741	7,171	56,897	40,974	10,770	7,062	58,806
Dues and subscriptions	117,130	27,857	1,306	146,293	89,373	28,185	—	117,558
Service charges	17,223	21,111	33,435	71,769	18,760	28,060	23,255	70,075
Miscellaneous	9,389	223,174	13,838	246,401	62,043	254,123	102,376	418,542
Capital campaign expenses	—	—	80,668	80,668	—	—	188,865	188,865
Total other expenses	6,684,545	987,008	961,823	8,633,376	6,425,277	999,360	835,206	8,259,843
Total expenses before depreciation	13,214,037	2,817,311	1,739,379	17,770,727	12,096,669	2,448,720	1,901,840	16,447,229
Depreciation	663,497	37,591	—	701,088	651,230	20,533	—	671,763
Total expenses	\$ 13,877,534	\$ 2,854,902	\$ 1,739,379	\$ 18,471,815	\$ 12,747,899	\$ 2,469,253	\$ 1,901,840	\$ 17,118,992

See accompanying notes to consolidated financial statements.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Nature of Organization

Boys & Girls Clubs of Central Florida, Inc. ("BGCCF") 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.

On August 15, 2018, BGCCF formed the Boys & Girls Clubs of Central Florida Foundation, Inc. (the "Foundation") and transferred its board-designated endowment, as further discussed in Note 7. The Foundation was established to support the operations of BGCCF. BGCCF has the ability to appoint the majority of the Board of Directors of the Foundation (the "Board"). Therefore, the Foundation's financial statements will be consolidated with BGCCF's financial statements since BGCCF has controlling financial interest in the Foundation.

2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

The consolidated financial statements include the financial statements of BGCCF and the Foundation (collectively "the Organization"). All significant intercompany balances and transactions have been eliminated upon consolidation.

The consolidated financial statements of the Organization are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Operating and Non-Operating Revenues and Support

Operating revenues and support were received to support current mission related activities of the Organization, while non-operating revenues and support are from contributions and bequests and related investment returns that are not available for current mission related activities.

Cash and Cash Equivalents

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

Assets Limited as to Use

Assets limited as to use include cash and cash equivalents and investments which are held for a board designated endowment established from a bequest received during fiscal 2018 (see Note 7) and capital contributions restricted for capital projects.

Investments

Investments are stated at fair value. Realized and unrealized gains and losses are combined with investment income earned during the period and presented as investment return on the accompanying consolidated statements of activities. Investment expenses are netted against investment income.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Grants and Contributions 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 expected to be collected within one year and are considered collectible and an allowance for uncollectible amounts was not recorded.

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.

Impairment of Long-Lived Assets

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 years 2019 and 2018, there was no impairment of long-lived assets.

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. Amounts received in advance of the event are recognized as deferred revenue.

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 donor restricted support that increases that net asset class.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

In-Kind Contributions and Contributed Services

Donated goods and services are recorded at fair value on the date donated and presented as in-kind contributions in the accompanying consolidated statements of activities. Donated facilities represents the excess of the fair rental value of building leases over below market rent payments due under lease agreements. The Organization received the following in-kind contributions, which are included in the consolidated statements of activities as in-kind contributions and net assets contributed:

<i>Year Ended June 30,</i>	2019	2018
Facilities rent	\$ 1,852,827	\$ 1,857,824
Property and equipment	375,000	260,868
Professional services	75,910	178,533
Program materials and supplies	139,178	85,296
Advertising	3,550	73,630
Auction items for special events	268,181	155,802
Theme park tickets	389,385	83,098
Other	13,100	120,690
Total	\$ 3,117,131	\$ 2,815,741

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, 2019 and 2018, the Organization received approximately \$451,000 and \$191,000, respectively, of contributed services consisting mainly of transportation, technology, legal fees and construction services which is reflected in the accompanying consolidated 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 consolidated financial statements.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions represents funds that are available without restriction for carrying out the Organization's objectives.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Amounts received that are to be maintained by the Organization in perpetuity are reported as contributions with donor restrictions.

Functional Expenses

The costs of providing the various programs and other activities have been summarized as program services, management and general, and fundraising. Employer and payroll related expenses are allocated among functional categories based on the proportion of time spent relative to each function.

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, grants receivable, and contributions receivable due in one year or less, and accounts payable and accrued expenses. 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

BGCCF and the Foundation are 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.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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 consolidated statements 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 consolidated financial statements in conformity with U.S. GAAP 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 consolidated 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

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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 consolidated financial statements and has not yet determined the method by which it will adopt the standard.

Contributions Received and Contributions Made

In June 2018 the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarifies and improves guidance about whether a transfer of assets is a contribution or an exchange transaction, as well as clarifying how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

The new standard is effective for fiscal periods beginning after December 15, 2018, using either of the following transition methods: (i) a modified prospective in the first set of consolidated financial statements following the effective date to agreements that are either not completed as of the effective date or entered into after the effective date, or (ii) a full retrospective approach reflecting the application of the standard in each prior reporting period in the consolidated financial statements. Early adoption is permitted. The Organization is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for consolidated financial statements issued for fiscal years beginning after December 15, 2020. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 which permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

Accounting Pronouncement Adopted

Effective July 1, 2018, the Organization adopted 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 statement 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.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 is as follows:

<i>June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 37,688,374	\$ —	\$ 37,688,374
Temporarily restricted	—	13,704,127	13,704,127
Permanently restricted	—	1,190,737	1,190,737
	\$ 37,688,374	\$ 14,894,864	\$ 52,583,238

<i>June 30, 2017</i>	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 19,883,526	\$ —	\$ 19,883,526
Temporarily restricted	—	10,442,610	10,442,610
Permanently restricted	—	1,209,686	1,209,686
	\$ 19,883,526	\$ 11,652,296	\$ 31,535,822

Reclassifications

Certain items have been reclassified in the 2018 consolidated financial statements to conform to the 2019 presentation.

3. Investments and Assets Limited as to Use

The Organization's investments consist of the following:

<i>June 30,</i>	2019	2018
Level 1:		
Small cap equities	\$ 840,399	\$ 670,402
Mid cap equities	1,261,796	477,805
Large cap equities	3,615,216	1,800,213
International equities	1,053,493	506,849
Fixed income mutual funds	5,117,628	2,692,860
	\$ 11,888,532	\$ 6,148,129

The Organization's investments are included in the following captions on the consolidated statements of financial position:

<i>June 30,</i>	2019	2018
Investments	\$ 6,582,453	\$ 6,148,129
Assets limited as to use	5,306,079	—
	\$ 11,888,532	\$ 6,148,129

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Investment return consists of the following:

<i>Year Ended June 30,</i>	2019	2018
Net realized and unrealized gain on investments	\$ 633,552	\$ 281,750
Dividends and interest	560,977	214,308
Investment management fees	(53,974)	(45,972)
	\$ 1,140,555	\$ 450,086

Assets limited as to use are as follows:

<i>June 30,</i>	2019	2018
Cash and cash equivalents held as board designated endowment	\$ 10,176,774	\$ 14,463,253
Investments held as board designated endowment	5,306,079	—
Cash and cash equivalents held as board designated for capital projects	2,685,388	2,419,108
	\$ 18,168,241	\$ 16,882,361

4. Grants and Contributions Receivable

Grants and contributions receivable are due as follows:

<i>June 30,</i>	2019	2018
Less than one year	\$ 7,817,730	\$ 4,857,135
One to five years	2,320,565	4,050,355
More than five years	293,141	274,967
	10,431,436	9,182,457
Less: allowance for uncollectible contributions receivables	(185,867)	(203,713)
Less: present value discount on contributions receivable ranging from 0.72% to 2.73%	(106,757)	(153,230)
	\$ 10,138,812	\$ 8,825,514
Grants and contributions receivable, current portion, net	\$ 7,631,863	\$ 4,573,272
Contributions receivable, long term, net	2,506,949	4,252,242
	\$ 10,138,812	\$ 8,825,514

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

5. Property and Equipment

Property and equipment is summarized as follows:

<i>June 30,</i>	Useful Life	2019	2018
Land	—	\$ 419,650	\$ 419,650
Buildings and improvements	5-40 years	21,517,381	21,404,477
Furniture and equipment	5-10 years	1,921,150	1,797,575
Automotive equipment	5 years	519,037	519,037
Building in progress	—	1,798,564	8,010
		26,175,782	24,148,749
Less: accumulated depreciation		(7,078,494)	(6,377,406)
		\$ 19,097,288	\$ 17,771,343

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 administrative costs. Contributions to the Plan for the years ended June 30, 2019 and 2018, were \$418,349 and \$340,104, respectively, and are included in employee benefits in the accompanying consolidated statements of functional expenses.

7. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following:

<i>June 30,</i>	2019	2018
Designated for property and equipment	\$ 19,097,288	\$ 17,771,343
Board-designated endowment	15,482,853	14,463,253
Board-designated for capital replacement reserve	2,685,388	2,419,108
Undesignated net assets	1,417,795	3,034,670
	\$ 38,683,324	\$ 37,688,374

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as follows:

<i>June 30,</i>	2019	2018
Capital expenditures	\$ 11,109,235	\$ 10,310,466
United Way time restricted grants	327,292	254,597
Time restricted contributions	1,623,600	1,452,544
Program operations	2,032,579	1,686,520
Total subject to expenditure for specified purpose or period	15,092,706	13,704,127
Endowment funds restricted in perpetuity	1,190,737	1,190,737
Total	\$ 16,283,443	\$ 14,894,864

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 net assets without donor restrictions.

Net assets were released from donor restrictions as follows:

<i>Year Ended June 30,</i>	2019	2018
Capital expenditures	\$ 1,415,496	\$ 4,238,723
United Way time restricted grants	196,626	87,851
Time restricted contributions	572,399	609,806
Program operations	554,689	567,505
	\$ 2,739,210	\$ 5,503,885

Permanent and Board Designated Endowments

The Organization records its donor restricted endowment funds as net assets with donor restrictions. These assets consist of investments held in perpetuity with investment income used to support general operations, the Youth of the Year program and the Joe R. Lee Club operations. Net assets with donor restrictions include the principal of donor restricted endowments that must be maintained permanently and not used up, expended or otherwise exhausted. The Organization's return objective for the donor restricted endowment funds are 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. and Subsidiary

Notes to Consolidated Financial Statements

In April 2018, the Board of Directors approved the establishment of a board-designated endowment fund in the amount of \$14,116,771, which was a bequest received in March 2018. The purpose of this fund is to fund future operating costs of BGCCF. During fiscal year 2019, the Board of Directors approved the formation of the Foundation and transferred the board-designated endowment to the Foundation. The return objectives related to this board-designated endowment fund are consistent with the donor restricted endowment funds. No more than five percent of the market value of the corpus of the board-designated endowment fund can be distributed on an annual basis.

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 is as follows:

<i>June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment fund	\$ 15,482,853	\$ —	\$ 15,482,853
Donor restricted endowment funds	17,693	1,764,880	1,782,573
	\$ 15,500,546	\$ 1,764,880	\$ 17,265,426

<i>June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment fund	\$ 14,463,253	\$ —	\$ 14,463,253
Donor restricted endowment funds	14,476	1,682,951	1,697,427
	\$ 14,477,729	\$ 1,682,951	\$ 16,160,680

Changes in the Organization's endowment's net assets for the years ended June 30, 2019 and 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2017	\$ 11,535	\$ 1,604,861	\$ 1,616,396
Contributed support	14,116,771	—	14,116,771
Interest and dividends	162,646	31,477	194,123
Net realized and unrealized gain on investments	223,869	60,318	284,187
Investment fees	(37,092)	(8,880)	(45,972)
Distributions	—	(4,825)	(4,825)
Endowment net assets at June 30, 2018	14,477,729	1,682,951	16,160,680
Contributed support	—	1,500	1,500
Interest and dividends	480,088	48,657	528,745
Net realized and unrealized gain on investments	589,562	43,990	633,552
Investment fees	(46,833)	(7,141)	(53,974)
Distributions	—	(5,077)	(5,077)
Endowment net assets at June 30, 2019	\$ 15,500,546	\$ 1,764,880	\$ 17,265,426

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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 net assets with donor restrictions: (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. Earnings on the donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA or as net assets without donor restrictions. 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. Financial Assets and Liquidity Resources

The Organization's financial assets available within one year for general expenditure are as follows:

<i>June 30,</i>	2019
Cash and cash equivalents	\$ 1,544,883
Investments	6,582,453
Grants and contributions receivable, net	10,138,812
Total financial assets available and not limited as to use	18,266,148
Less: net assets restricted for specified purpose or period	(15,092,706)
Less: endowment funds restricted in perpetuity	(1,190,737)
Net financial assets and liquidity resources available within one year	\$ 1,982,705

The Organization's endowment funds consist of board designated and donor-restricted endowments. The board designated endowment consists of a bequest, which is held by the Foundation to support future operating costs of BGCCF. The Board has approved an annual contribution from the Foundation to BGCCF in the amount of \$450,000 beginning in fiscal year 2020 subject to the spending policy of no more than five percent of the market value of the board designated endowment fund. Income from the donor-restricted endowment is restricted for general and specific program operations. Endowment funds are invested with the objective of preserving capital and liquidity while seeking an appropriate level of investment return.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Excess cash generated by operations is placed in appropriate short-term vehicles to maintain capital, liquidity and diversification.

9. 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, 2019 and 2018, was \$143,915 and \$143,590, respectively, and is included in occupancy on the consolidated statements of functional expenses. Since many of the Organization's leases are month-to-month, the minimum contractual future rental payments are nominal.

Levy Hughes Club

On December 15, 2015, as amended on September 20, 2017, 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 (Levy Hughes Club). The School Board built a school where they have designated certain areas available for the exclusive use of the Organization for its programs. In connection with this Agreement, the Organization agreed to make a capital contribution of \$4,000,000 to the School Board for the costs of construction of the facility which was fully funded during the year ended June 30, 2018 and recorded as buildings and improvements within property and equipment on the accompanying statements of financial position. The School Board agreed to lease the facility to the Organization for 99 years at \$1 per year. The lease commenced July 18, 2017 when the building was completed.

Nassau Club

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 certain assets of The Boys & Girls Club of Nassau County, LLC (the sole member of which is Nassau Foundation) related to two clubs it was 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 Organization recorded a contribution of \$53,440 representing the fair value of the furniture, equipment and vehicles transferred by the Nassau Foundation.

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 to the Organization an administrative fee of 8% of the annual direct operational expenses of the Nassau Clubs which was \$78,874 and \$59,460 during the years ended June 30, 2019 and 2018, respectively, and recorded as other revenues on the accompanying consolidated statements of activities. 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.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Joe R. Lee Club

At June 30, 2019, the Organization has a remaining commitment to a contractor for the construction of the Joe R. Lee Club for approximately \$1,400,000. Costs incurred to construct the Joe R. Lee Club as of June 30, 2019 were approximately \$1,800,000 and are included in building in progress within property and equipment (see Note 5).

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.

10. 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.

11. Economic Dependency

The Organization earned revenues from Orange County, Florida, which represented 12% and 9% of the Organization's total operating revenue and support for the years ended June 30, 2019 and 2018, respectively. In addition, during 2019 and 2018, the Organization earned revenues from the federal government which represented approximately 9% and 11%, respectively, of the Organization's total operating 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.

12. 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 \$326,173 and \$373,041 for the years ended June 30, 2019 and 2018, respectively. The Organization paid a vendor \$8,490 and \$12,575 for the years ended June 30, 2019 and 2018, respectively, for legal fees associated with building of clubs, 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.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

13. Net Assets Contributed

On September 22, 2017, BGCCF entered into a Management and Asset Transfer Agreement (Management Agreement) with the Boys & Girls Club of Lake and Sumter Counties, Inc. ("BGCLSC") for the transfer of all of the assets of BGCLSC related to five clubs in Lake and Sumter Counties. The transfer of the assets of BGCLSC was completed on November 1, 2017 (the "Transfer Date"), and BGCCF became the surviving entity.

The following summarizes the net assets transferred to BGCCF on the Transfer Date which was recorded as net assets contributed on the accompanying consolidated statement of activities for the year ended June 30, 2018:

<i>Year Ended June 30, 2018</i>	Estimated Approximate Fair Value
Cash	\$ 765,471
Grants and contributions receivable	204,612
Property and equipment	195,976
Accounts payable and accrued expenses	(87,545)
Contribution of net assets	\$ 1,078,514

14. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to June 30, 2019 as of December 5, 2019, which is the date the consolidated financial statements were available to be issued. Subsequent events occurring after December 5, 2019 have not been evaluated by management. No material events have occurred since June 30, 2019 that require recognition or disclosure in the consolidated financial statements, except as follows:

- On November 22, 2019, the Organization formed BGCCF NMTC, Inc., a non-profit corporation. The purpose of the entity is to support the operations of BGCCF, including expansion of facilities. BGCCF has the ability to appoint the majority of the Board of Directors of the new entity, and therefore, it will be consolidated with the Organization's financial statements beginning in fiscal 2020.

Supplementary Information



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Independent Auditor's Report on Supplementary Information

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

Our audits of the consolidated financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

Certified Public Accountants
December 5, 2019

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Consolidating Statement of Financial Position

<i>June 30, 2019</i>	Boys & Girls Clubs of Central Florida, Inc.	Boys & Girls Clubs of Central Florida Foundation, Inc.	Eliminations	Total
Assets				
Current:				
Cash and cash equivalents	\$ 1,544,883	\$ —	\$ —	\$ 1,544,883
Grants and contributions receivable, current portion, net	7,631,863	—	—	7,631,863
Prepaid expenses	233,690	—	—	233,690
Due from Foundation	150,000	—	(150,000)	—
Land held for sale	30,100	—	—	30,100
Total current assets	9,590,536	—	(150,000)	9,440,536
Property and equipment, net	19,097,288	—	—	19,097,288
Other assets:				
Assets limited as to use	3,195,329	14,972,912	—	18,168,241
Investments	6,582,453	—	—	6,582,453
Contributions receivable, long term, net	2,506,949	—	—	2,506,949
Other	78,906	—	—	78,906
Total other assets	12,363,637	14,972,912	—	27,336,549
	\$ 41,051,461	\$ 14,972,912	\$ (150,000)	\$ 55,874,373
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 431,024	\$ —	\$ —	\$ 431,024
Accrued expenses	354,805	—	—	354,805
Deferred revenues	121,778	—	—	121,778
Due to BGCCF	—	150,000	(150,000)	—
Total current liabilities	907,607	150,000	(150,000)	907,607
Commitments and contingencies				
Net assets:				
Without donor restrictions	23,860,411	14,822,912	—	38,683,323
With donor restrictions	16,283,443	—	—	16,283,443
Total net assets	40,143,854	14,822,912	—	54,966,766
	\$ 41,051,461	\$ 14,972,912	\$ (150,000)	\$ 55,874,373

Boys & Girls Clubs of Central Florida, Inc. and Subsidiary

Consolidating Statement of Activities

<i>Year Ended June 30, 2019</i>	Boys & Girls Clubs of Central Florida, Inc.			Boys & Girls Clubs of Central Florida Foundation, Inc.		Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	
Operating revenues and support:						
Government revenues	\$ 6,235,453	\$ —	\$ 6,235,453	\$ —	\$ —	\$ 6,235,453
Contributions	3,169,956	1,558,697	4,728,653	—	—	4,728,653
In-kind contributions	3,117,131	—	3,117,131	—	—	3,117,131
United Way	320,546	269,319	589,865	—	—	589,865
Special events	1,256,174	—	1,256,174	—	—	1,256,174
Dues and program services	869,475	—	869,475	—	—	869,475
Other revenues	703,772	—	703,772	—	—	703,772
Net assets released from restrictions	2,739,210	(2,739,210)	—	—	—	—
Total operating revenues and support	18,411,717	(911,194)	17,500,523	—	—	17,500,523
Operating expenses:						
Program services	13,877,534	—	13,877,534	—	—	13,877,534
Supporting services:						
Management and general	2,844,569	—	2,844,569	10,333	—	2,854,902
Fundraising	1,739,379	—	1,739,379	—	—	1,739,379
Total operating expenses	18,461,482	—	18,461,482	10,333	—	18,471,815
Change in operating net assets	(49,765)	(911,194)	(960,959)	(10,333)	—	(971,292)
Non-operating revenues, support and transfers:						
Transfer of assets	(14,253,878)	—	(14,253,878)	14,253,878	—	—
Contributions restricted for capital projects	—	2,214,265	2,214,265	—	—	2,214,265
Investment return, net	475,680	85,508	561,188	579,367	—	1,140,555
Total non-operating revenues, support and transfers	(13,778,198)	2,299,773	(11,478,425)	14,833,245	—	3,354,820
Change in net assets	(13,827,963)	1,388,579	(12,439,384)	14,822,912	—	2,383,528
Net assets, beginning of year	37,688,374	14,894,864	52,583,238	—	—	52,583,238
Net assets, end of year	\$ 23,860,411	\$ 16,283,443	\$ 40,143,854	\$ 14,822,912	\$ —	\$ 54,966,766