



BOYS & GIRLS CLUBS
OF CLEVELAND

BOYS & GIRLS CLUBS OF CLEVELAND

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014



SKODA MINOTTI

CPAs, BUSINESS & FINANCIAL ADVISORS

Delivering on the Promise.

BOYS & GIRLS CLUBS OF CLEVELAND
YEARS ENDED DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
BOYS & GIRLS CLUBS OF CLEVELAND

Report on the Financial Statements

We have audited the accompanying financial statements of Boys & Girls Clubs of Cleveland (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, changes in net assets, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Cleveland as of December 31, 2015 and 2014, 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.

SKODA MINOTTI & CO.

A handwritten signature in cursive script that reads "Skoda Minotti".

Cleveland, Ohio
May 19, 2016

BOYS & GIRLS CLUBS OF CLEVELAND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,549,710	\$ 533,829
Investments	1,703,920	1,508,860
Pledges receivable	618,160	723,643
Grants receivable	178,174	228,572
Prepaid expenses	41,114	45,985
	4,091,078	3,040,889
 LONG-TERM ASSETS		
Cash surrender value of life insurance	70,567	68,169
Pledges receivable - net	764,708	1,397,350
Property and equipment - net	4,328,270	4,817,401
	5,163,545	6,282,920
	\$ 9,254,623	\$ 9,323,809

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 85,345	\$ 78,916
Accrued expenses	82,516	72,302
	167,861	151,218
 NET ASSETS		
Unrestricted		
Operating	5,679,241	5,268,139
Board designated	1,080,265	875,552
Total unrestricted	6,759,506	6,143,691
Temporarily restricted	1,666,335	2,358,327
Permanently restricted	660,921	670,573
	9,086,762	9,172,591
	\$ 9,254,623	\$ 9,323,809

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUBS OF CLEVELAND
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				Total
	Unrestricted		Temporarily Restricted	Permanently Restricted	
	Operating	Board Designated			
SUPPORT AND REVENUE					
Contributions and grants:					
Individuals	\$ 283,214	\$ -	\$ 50,412	\$ 500	\$ 334,126
Foundations	1,754,437	14,000	118,333	-	1,886,770
Corporations	777,532	250,000	16,667	-	1,044,199
Heights Youth Club	90,000	-	-	-	90,000
Clubs and organizations	5,682	-	-	-	5,682
Government grants	295,133	-	-	-	295,133
United Way services	393,940	-	122,500	-	516,440
Special events - net	258,888	-	-	-	258,888
Other income	339,391	-	-	-	339,391
Governmental in-kind	22,230	-	-	-	22,230
Program fees	3,241	-	-	-	3,241
Investment income (loss)	(1)	(1,490)	-	(10,152)	(11,643)
Total support and revenue	4,223,687	262,510	307,912	(9,652)	4,784,457
Net assets released from restrictions:					
Satisfaction of restrictions through:					
Operating expenses	1,057,701	(57,797)	(999,904)	-	-
	5,281,388	204,713	(691,992)	(9,652)	4,784,457
Expenses before depreciation:					
Program	3,378,002	-	-	-	3,378,002
Fundraising and development	432,562	-	-	-	432,562
General and administrative	403,028	-	-	-	403,028
Total expenses before depreciation	4,213,592	-	-	-	4,213,592
Change in net assets before depreciation	1,067,796	204,713	(691,992)	(9,652)	570,865
Depreciation expenses and impairment loss:					
Program	279,020	-	-	-	279,020
Impairment loss	341,674	-	-	-	341,674
Fundraising and development	18,000	-	-	-	18,000
General and administrative	18,000	-	-	-	18,000
Total depreciation expenses and impairment loss	656,694	-	-	-	656,694
Change in net assets	\$ 411,102	\$ 204,713	\$ (691,992)	\$ (9,652)	\$ (85,829)

2014

Unrestricted		Temporarily Restricted	Permanently Restricted	Total
Operating	Board Designated			
\$ 485,843	\$ -	\$ 66,072	\$ 500	\$ 552,415
1,621,857	13,000	184,634	-	1,819,491
174,377	-	135,283	-	309,660
72,500	-	-	-	72,500
3,016	-	-	-	3,016
395,045	-	-	-	395,045
398,781	-	125,000	-	523,781
248,317	-	-	-	248,317
159,889	-	-	-	159,889
22,230	-	-	-	22,230
3,653	-	-	-	3,653
-	39,429	-	19,923	59,352
<u>3,585,508</u>	<u>52,429</u>	<u>510,989</u>	<u>20,423</u>	<u>4,169,349</u>
1,188,108	(54,224)	(1,083,884)	(50,000)	-
<u>4,773,616</u>	<u>(1,795)</u>	<u>(572,895)</u>	<u>(29,577)</u>	<u>4,169,349</u>
3,643,164	-	-	-	3,643,164
400,350	-	-	-	400,350
441,505	-	-	-	441,505
<u>4,485,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,485,019</u>
<u>288,597</u>	<u>(1,795)</u>	<u>(572,895)</u>	<u>(29,577)</u>	<u>(315,670)</u>
264,000	-	-	-	264,000
-	-	-	-	-
18,000	-	-	-	18,000
18,000	-	-	-	18,000
<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
<u>\$ (11,403)</u>	<u>\$ (1,795)</u>	<u>\$ (572,895)</u>	<u>\$ (29,577)</u>	<u>\$ (615,670)</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUBS OF CLEVELAND
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated			
Net assets - January 1, 2014	\$ 5,279,542	\$ 877,347	\$ 2,931,222	\$ 700,150	\$ 9,788,261
Change in net assets - 2014	<u>(11,403)</u>	<u>(1,795)</u>	<u>(572,895)</u>	<u>(29,577)</u>	<u>(615,670)</u>
Net assets - December 31, 2014	5,268,139	875,552	2,358,327	670,573	9,172,591
Change in net assets - 2015	<u>411,102</u>	<u>204,713</u>	<u>(691,992)</u>	<u>(9,652)</u>	<u>(85,829)</u>
Net assets - December 31, 2015	<u>\$ 5,679,241</u>	<u>\$ 1,080,265</u>	<u>\$ 1,666,335</u>	<u>\$ 660,921</u>	<u>\$ 9,086,762</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUBS OF CLEVELAND

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (85,829)	\$ (615,670)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Add back (deduct): Items not affecting cash		
Depreciation	315,020	300,000
Impairment loss	341,674	-
Pledges receivable discount amortization	(48,999)	(27,122)
Pledges written off during the year	68,850	-
Increase in cash surrender value of life insurance	(2,398)	(2,234)
Interest and dividends reinvested	(14,562)	(13,556)
Unrealized loss on investments	86,120	25,515
Realized gain on investments	(59,915)	(71,311)
Loss on sale of property and equipment	7,583	-
Permanently restricted contributions	(500)	(500)
Cash provided by (used in) changes in the following items:		
Decrease in pledges receivable	718,273	578,691
Decrease in grants receivable	50,398	29,149
(Increase) decrease in prepaid expenses	4,871	(1,411)
Increase (decrease) in accounts payable	6,429	(6,806)
Increase (decrease) in accrued expenses	10,214	(24,225)
Net cash provided by operating activities	<u>1,397,229</u>	<u>170,520</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(183,145)	(224,603)
Proceeds from sale of property, plant, and equipment	8,000	-
Proceeds from sale of investments	451,567	54,223
Purchases of investments	(658,270)	(13,500)
Net cash used in investing activities	<u>(381,848)</u>	<u>(183,880)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions	<u>500</u>	<u>500</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,015,881	(12,860)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>533,829</u>	<u>546,689</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,549,710</u>	<u>\$ 533,829</u>

	<u>2015</u>	<u>2014</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE YEAR FOR:		
INTEREST	\$ -	\$ 6,603

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUBS OF CLEVELAND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	2015						
	Program			Total Program	General & Administrative	Fundraising & Development	Total
	Academic Success	Character & Citizenship	Healthy Lifestyles				
Personnel costs	\$ 962,078	\$ 774,356	\$ 610,099	\$ 2,346,533	\$ 263,552	\$ 274,822	\$ 2,884,907
Professional and contract services	53,101	42,740	33,674	129,515	44,239	128,905	302,659
Programming	196,795	158,396	124,797	479,988	47,427	17,112	544,527
Occupancy	173,006	139,249	109,711	421,966	47,810	11,723	481,499
Total expenses before depreciation	1,384,980	1,114,741	878,281	3,378,002	403,028	432,562	4,213,592
Depreciation expenses and impairment loss	262,796	199,597	158,301	620,694	18,000	18,000	656,694
Total expenses	\$ 1,647,776	\$ 1,314,338	\$ 1,036,582	\$ 3,998,696	\$ 421,028	\$ 450,562	\$ 4,870,286

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUBS OF CLEVELAND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	2014						
	Program			Total Program	General & Administrative	Fundraising & Development	Total
	Academic Success	Character & Citizenship	Healthy Lifestyles				
Personnel costs	\$ 1,076,468	\$ 866,426	\$ 682,638	\$ 2,625,532	\$ 284,983	\$ 262,847	\$ 3,173,362
Professional and contract services	52,654	42,380	33,391	128,425	37,221	88,377	254,023
Programming	179,240	144,266	113,665	437,171	57,499	12,653	507,323
Occupancy	185,335	149,172	117,529	452,036	61,802	36,473	550,311
Total expenses before depreciation	1,493,697	1,202,244	947,223	3,643,164	441,505	400,350	4,485,019
Depreciation expenses	108,240	87,120	68,640	264,000	18,000	18,000	300,000
Total expenses	<u>\$ 1,601,937</u>	<u>\$ 1,289,364</u>	<u>\$ 1,015,863</u>	<u>\$ 3,907,164</u>	<u>\$ 459,505</u>	<u>\$ 418,350</u>	<u>\$ 4,785,019</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUBS OF CLEVELAND

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Boys & Girls Clubs of Cleveland (the Clubs) is a nonprofit entity, which provides after-school and summer programs and a safe environment for youth ages 6 - 18 facing challenging life circumstances to achieve their full potential as productive, responsible and caring citizens. The Clubs' programs, including outreach programs, emphasize education, career exploration, financial literacy, character, leadership, health and life skills, arts, sports, fitness and recreation.

Program Descriptions

Academic Success - This impact area affects the Clubs' mission to enable young people who need us most to reach their full potential. Programs seek to engage youth in education, reduce high school drop out rates, and encourage high school graduation and post-secondary opportunities by teaching basic educational disciplines, technology and the arts, nurturing creativity, cultural awareness and appreciation for the arts.

Character & Citizenship - This impact area focuses on furthering the Clubs' mission by developing youth into productive, caring and responsible citizens by emphasizing interpersonal relationship-building, self-image and contribution to the community.

Healthy Lifestyles - This impact area also furthers the Clubs' mission to enable young people to reach their full potential through encouraging youth to make smart, healthy choices for their bodies, minds and spirits (ultimately, their futures) by encouraging goal-setting, health-risk avoidance, and self-sufficiency and by developing physical and social skills, stress management and appreciation for the environment.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. 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 Clubs and changes therein are classified and reported as follows:

Unrestricted Operating Net Assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted operating net assets consist of current operating net assets and are used for general operating expenses.

Unrestricted Board Designated Net Assets – Net assets that are reserved by the Board of Trustees for the continuity of the Clubs' general activities, its exhibits and programs, and to meet emergency demands.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Clubs and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If donor-imposed restrictions are met in the same year as they are imposed, the net assets are reported as unrestricted.

BOYS & GIRLS CLUBS OF CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained by the Clubs in perpetuity. Generally, the donors of these assets permit the Clubs to use all or part of the income earned on any related investments for general or specific purposes.

Contributions and Grants

Contributions and grants are recognized when awarded as unrestricted, temporarily restricted or permanently restricted in accordance with donor specifications. When a restriction expires through accomplishment of purpose or passage of time, the restricted net assets are reclassified to unrestricted and reported in the statements of activities as net assets released from restrictions.

Government grants are considered earned income and are recognized over the periods to which they relate. Government grants received in advance are recorded as deferred income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Cash and Cash Equivalents

The Clubs consider all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Temporarily uninvested cash in investment accounts is considered an investment rather than a cash equivalent.

At times during the year, the Clubs maintained funds on deposit at banks in excess of Federally insured limits. The Clubs believe that there is no significant risk with respect to these deposits. The Clubs have not experienced any losses on their deposits with financial institutions.

Investments

Investments in marketable securities are recorded at fair value based on published market prices. The difference between their cost and fair value is recorded as an unrealized gain or loss in the statement of activities. Specific-identification is used to identify securities sold.

BOYS & GIRLS CLUBS OF CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Pledges Receivable

Grants receivable represent various amounts from governments, agencies and foundations awarded at December 31, 2015 and 2014 and have been recorded as revenue as unrestricted, temporarily restricted or permanently restricted in accordance with donor specifications. The Clubs consider all grants receivable to be fully collectible at December 31, 2015 and 2014, and, therefore, have no allowance for uncollectible accounts.

Pledges receivable represent unconditional promises to give by donors. Pledges that are to be received over a period of years are discounted to their present value assuming their respective payment terms and an appropriate discount rate. The amounts reflected in the statements of financial position are net of this discount which is amortized into contribution revenue over the term of the respective pledge agreement. The amortized discount at December 31, 2015 and 2014 was \$37,382 and \$86,381, respectively. Management provides for uncollectible accounts based on its assessment of the current status of individual accounts. During the year ended December 31, 2015, the Clubs wrote off \$68,850 of pledges deemed to be uncollectible. Based on the Clubs' minimal write-off experience, no allowance for uncollectible accounts has been recorded at December 31, 2015 and 2014.

Depreciation

Depreciation of property and equipment is provided using the straight-line method based on the following estimated useful lives:

Buildings and improvements	30 – 39	years
Equipment	3 – 10	years
Furniture and fixtures	5 – 7	years
Vehicles	5	years

Income Taxes

The Clubs are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state laws and operate as a public charity.

Contributed Services

The Clubs receive a significant amount of donated services (general assistance, fundraising events, telephone answering, etc.) from unpaid volunteers who assist in fund-raising and special projects. The Clubs would recognize significant contributions of services received when those services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation. The Clubs recognized \$22,275 and \$43,569 of corporate in-kind revenue from contributed services for the years ended December 31, 2015 and 2014, respectively, for which the corresponding expense is included in non-program fundraising & development general and administrative and professional and contract services costs.

BOYS & GIRLS CLUBS OF CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Clubs' policy is to expense advertising costs as incurred. Advertising expense for the years ended December 31, 2015 and 2014 was \$1,265 and \$28,903 respectively.

Subsequent Events

The Clubs evaluated subsequent events through May 19, 2016, the date these financial statements were available to be issued. Except for those described in Note 14, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

2. INVESTMENTS

Investments under the control of the Clubs are stated at fair value and consist of the following at December 31:

	2015		
	Cost	Fair Value	Unrealized Gain
Mutual funds	\$ 1,603,280	\$ 1,666,428	\$ 63,148
Money market funds	<u>37,492</u>	<u>37,492</u>	<u>-</u>
	<u>\$ 1,640,772</u>	<u>\$ 1,703,920</u>	<u>\$ 63,148</u>
	2014		
	Cost	Fair Value	Unrealized Gain
Mutual funds	\$ 1,307,508	\$ 1,457,019	\$ 149,511
Money market funds	<u>51,841</u>	<u>51,841</u>	<u>-</u>
	<u>\$ 1,359,349</u>	<u>\$ 1,508,860</u>	<u>\$ 149,511</u>

The following schedules summarize the investment return and its classification in the statements of activities for the years ended December 31:

	2015	2014
Interest and dividend income, net	\$ 14,562	\$ 13,556
Realized gains	59,915	71,311
Unrealized losses	<u>(86,120)</u>	<u>(25,515)</u>
Total investment return	<u>\$ (11,643)</u>	<u>\$ 59,352</u>

BOYS & GIRLS CLUBS OF CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS

GAAP requires disclosure of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories:

- Level 1 - Quoted unadjusted prices for identical instruments in active markets to which the Clubs have access at the date of measurement.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists, or in instances where prices vary substantially over time or among brokered market makers.
- Level 3 - Model derived valuations in which one or more significant inputs of significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Clubs' own assumptions that market participants would use to price the assets or liabilities based on the best available information.

Fair value measurement of all financial assets at December 31, 2015 and 2014 consisted of Level 1 investments at quoted prices in active markets for identical assets.

4. PROPERTY AND EQUIPMENT

Property and equipment purchased by the Clubs are recorded at cost. Donated items are recorded at fair value when received. Maintenance and repairs are charged to expense as incurred. Renewals and betterments are capitalized. Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 533,500	\$ 533,500
Buildings and improvements	7,306,009	7,260,739
Equipment	632,865	607,699
Furniture and fixtures	502,572	449,136
Vehicles	<u>213,768</u>	<u>186,494</u>
	9,188,714	9,037,568
Less: Accumulated depreciation	<u>(4,860,444)</u>	<u>(4,220,167)</u>
	<u>\$ 4,328,270</u>	<u>\$ 4,817,401</u>

BOYS & GIRLS CLUBS OF CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	2015			
	Beginning Net Assets	Contributions & Investment Income	Net Assets Released from Restriction	Ending Net Assets
United Way	\$ 125,000	\$ 122,500	\$ (125,000)	\$ 122,500
Future programs	<u>2,233,327</u>	<u>185,412</u>	<u>(874,904)</u>	<u>1,543,835</u>
	<u>\$ 2,358,327</u>	<u>\$ 307,912</u>	<u>\$ (999,904)</u>	<u>\$ 1,666,335</u>
	2014			
	Beginning Net Assets	Contributions & Investment Income	Net Assets Released from Restriction	Ending Net Assets
United Way	\$ 119,665	\$ 125,000	\$ (119,665)	\$ 125,000
Future programs	<u>2,811,557</u>	<u>385,989</u>	<u>(964,219)</u>	<u>2,233,327</u>
	<u>\$ 2,931,222</u>	<u>\$ 510,989</u>	<u>\$ (1,083,884)</u>	<u>\$ 2,358,327</u>

6. ENDOWMENT DISCLOSURES

The Clubs' endowment funds consist of a board designated fund and three donor restricted funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board designated fund is unrestricted, but intended for the long term support of the Clubs. All income and principal may be expended upon approval of the Board.

The Leff and O'Neil permanently restricted funds are composed of contributions whereby the principal must remain intact while the income thereon may be used in general operations.

The board designated fund, the Leff fund and the O'Neil fund are invested in a pooled account. Under current law and GAAP, all income in the fund is considered unrestricted.

The GAR permanently restricted fund is required to be held in a separate trust account. In accordance with the terms of the gift instrument, interest and dividends may be expended each year. In addition, up to one half of the net appreciation, realized and unrealized, may be expended. Funds not expended shall be added to the principal of the fund. There is no restriction on the income once it is expended. The grantee is required to annually furnish a Certification of Compliance to the GAR Foundation certifying compliance with these requirements and the value of the fund. The Clubs did not withdraw any net income or take any distributions during the years ended December 31, 2015 and 2014. During 2014 the Clubs reclassified \$50,000 from permanently restricted to operating in accordance with the terms of the respective donation.

BOYS & GIRLS CLUBS OF CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS

6. ENDOWMENT DISCLOSURES (continued)

Interpretation of Relevant Law

Management of the Clubs has interpreted the State of Ohio's enacted version of the Uniform Prudent Management of Institutional Fund Act (UPMIFA) as providing generally that the Clubs may appropriate for expenditure or accumulate so much of an endowment fund as the Clubs determine is prudent for the uses, benefits, purposes, and duration for which an endowment fund is established, subject to the intent of the donor expressed in the gift instrument. As a result of this interpretation, the Clubs classify as permanently restricted net assets (a) the original value of the gifts 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 instruments 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 Clubs in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Clubs consider 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 purpose of the Clubs 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 appreciation of investments
- (6) Other resources of the Clubs
- (7) The investment policies of the Clubs

Spending Policy

The Clubs follow a policy of distributing a surplus percentage of the net appreciation over a three-year average period of returns.

Other distributions from the Board designated funds are permitted in certain circumstances.

BOYS & GIRLS CLUBS OF CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS

6. ENDOWMENT DISCLOSURES (continued)

Changes in Endowment Net Assets

	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets – January 1, 2014	\$ 877,347	\$ 700,150	\$ 1,577,497
Investment gain:			
Interest and dividends	26,648	-	26,648
Investment fees	(13,092)	-	(13,092)
Realized gains	39,842	31,469	71,311
Unrealized gains	(13,969)	(11,546)	(25,515)
Total investment gain	<u>39,429</u>	<u>19,923</u>	<u>59,352</u>
Distributions to operating under spending policy	<u>(54,224)</u>	<u>(50,000)</u>	<u>(104,224)</u>
Contributions	<u>13,000</u>	<u>500</u>	<u>13,500</u>
Endowment net assets – December 31, 2014	<u>875,552</u>	<u>670,573</u>	<u>1,546,125</u>
Investment gain:			
Interest and dividends	28,319	-	28,319
Investment fees	(13,756)	-	(13,756)
Realized gains	34,607	25,308	59,915
Unrealized losses	(50,660)	(35,460)	(86,120)
Total investment loss	<u>(1,490)</u>	<u>(10,152)</u>	<u>(11,642)</u>
Distributions to operating under spending policy	<u>(57,797)</u>	<u>-</u>	<u>(57,797)</u>
Contributions	<u>264,000</u>	<u>500</u>	<u>264,500</u>
Endowment net assets – December 31, 2015	<u>\$ 1,080,265</u>	<u>\$ 660,921</u>	<u>\$ 1,741,186</u>

7. LINE OF CREDIT

The Clubs have a line of credit which allows for borrowings up to \$400,000. The line of credit is collateralized by substantially all equipment of the Clubs. The line of credit bears interest at prime less 0.5% (3.00% and 2.75% at December 31, 2015 and 2014, respectively). There were no amounts outstanding under this agreement at December 31, 2015 and 2014.

BOYS & GIRLS CLUBS OF CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS

8. LEASES

The Clubs have a lease agreement involving one Club site. In addition, the Clubs maintain other operating agreements for Club sites and office equipment that expire through 2020.

Rent expense for the years ended December 31, 2015 and 2014, was \$64,869 and \$55,482, respectively.

Minimum future lease payments as of December 31, 2015 are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	
2016	\$ 26,130
2017	24,366
2018	24,366
2019	23,166
2020	<u>17,612</u>
	<u>\$ 115,640</u>

9. SPECIAL EVENTS

The Clubs conduct several fundraising events during the year. Revenue and expenses related to these events for the years ended December 31, 2015 and 2014 are as follows:

	2015		
	Revenue	Expense	Net
Shazam	\$ 206,008	\$ 97,136	\$ 108,872
Race for Kids	93,725	6,392	87,333
Taco Bell Golf Classic	92,310	54,828	37,482
Turner Construction Golf Outing	23,600	6,922	16,678
Miscellaneous events	<u>9,022</u>	<u>499</u>	<u>8,523</u>
	<u>\$ 424,665</u>	<u>\$ 165,777</u>	<u>\$ 258,888</u>

BOYS & GIRLS CLUBS OF CLEVELAND
NOTES TO THE FINANCIAL STATEMENTS

9. SPECIAL EVENTS (continued)

	2014		
	Revenue	Expense	Net
Shazam	\$ 215,914	\$ 90,613	\$ 125,301
Race for Kids	69,788	8,368	61,420
Taco Bell Golf Classic	78,650	46,096	32,554
Wall Street Golf Outing	21,718	6,191	15,527
Miscellaneous events	15,100	1,585	13,515
	\$ 401,170	\$ 152,853	\$ 248,317

10. RETIREMENT PLAN

The Clubs participate in the Pension Trust of Boys & Girls Clubs of America (the Plan). The Plan is a money purchase plan. Employer contributions are 6% of employee compensation. A new Plan was implemented during 2010, revising employee eligibility. Employees on the previous Plan were grandfathered in with a two-year vesting period. The new Plan provides that employees become eligible on January 1 or July 1 of each year after attaining age 21 and completing one year of service with the following vesting schedule:

Years of Service	Vested Percentage
2	20%
3	40%
4	60%
5	80%
6	100%

Contributions to this Plan for the years ended December 31, 2015 and 2014 were \$77,047 and \$118,832, respectively.

11. LIFE INSURANCE

The Clubs have donated life insurance policies for which it is named the beneficiary. The Clubs will receive the cash surrender value if the policies are terminated or will receive all benefits payable upon the death of the insured. The Clubs do not pay any premiums on the policies.

The face amounts of the insurance policies at December 31, 2015 and 2014 totaled \$192,229 and \$191,268, respectively.

The cash surrender values of the insurance policies at December 31, 2015 and 2014 totaled \$70,567 and \$68,169, respectively.

BOYS & GIRLS CLUBS OF CLEVELAND
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12. HEIGHTS YOUTH CLUB

The Clubs have an operating agreement with Heights Youth Club, Inc. (HYC) that began on September 1, 2006 and was extended to continue through August 16, 2016. The intent of the agreement is for HYC to raise funds to purchase, renovate and maintain its building and operate the Clubs' programs at the facility. HYC purchased and renovated the facility in 2006 and 2007 and the club opened in January 2007. Funds raised by HYC are deposited with the Clubs as a charitable contribution and the Clubs maintain a separate bank account for these funds. Operating expenses are paid by the Clubs on behalf of HYC, offset in part by using the funds deposited in the HYC bank account. HYC operating expenses paid by the Clubs totaled \$269,061 and \$287,364 in 2015 and 2014, respectively, of which \$90,000 was covered by funds donated by HYC each year.

13. SAVE OUR KIDS CAMPAIGN

In 2011, the Clubs commenced the Save Our Kids Campaign (the "Campaign"). The goal of the Campaign is to raise \$16.5 million over five years to enable the Clubs to increase services provided to children in the community. Funds generated by the Campaign will be used over the five-year Campaign period to increase operating hours from 20 hours per week to 29 hours per week, increase the number of clubs from 11 to 18, and increase average daily attendance from 550 kids per day to 2,000 kids per day.

Through December 31, 2015, the Clubs recognized Campaign donations and pledges of \$8.27 million, of which \$6.80 million had been collected. As of December 31, 2015 the Clubs also received additional Campaign pledges of \$3.48 million of in-kind support, planned gifts, and renewable grants that will be recognized, when appropriate, in accordance with GAAP. During 2015, \$1.52 million in Campaign funds were used to fund expanded operations. In addition, operating hours were approximately 24 hours per week and average daily attendance was 830 kids per day. There were 12 sites in operation at the end of 2015.

14. SUBSEQUENT EVENT

During 2015, Management and the Board of Directors made the decision to close two free standing club sites, and recorded an impairment of \$341,674. The programs conducted at those two facilities were transitioned to school buildings, close in proximity to the closing locations, as the Clubs are still serving those neighborhoods. Subsequent to year-end, the two locations were closed and the assets were disposed. The undepreciated cost of these assets is \$17,384 at December 31, 2015.