



**BOYS & GIRLS CLUBS**  
OF CLEVELAND

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015



**SKODA MINOTTI**

CPAs, BUSINESS & FINANCIAL ADVISORS

Delivering on the Promise.

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
YEARS ENDED DECEMBER 31, 2016 AND 2015

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## INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES  
BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of Cleveland and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the 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 financial position of Boys & Girls Clubs of Cleveland and Subsidiary as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Consolidating Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the consolidating statement of financial position as of December 31, 2016, and the consolidating statement of activities for the year then ended are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations, and they are 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 consolidating information has been subjected to the auditing procedures applied in the audit 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

SKODA MINOTTI & CO.

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

Cleveland, Ohio  
May 30, 2017

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,015,401	\$ 1,549,710
Investments	1,741,225	1,703,920
Pledges receivable	662,217	618,160
Grants receivable	175,526	178,174
Prepaid expenses	25,952	41,114
	3,620,321	4,091,078
 <b>LONG-TERM ASSETS</b>		
Cash surrender value of life insurance	72,785	70,567
Pledges receivable - net	382,411	764,708
Property and equipment - net	4,076,691	4,328,270
	4,531,887	5,163,545
	\$ 8,152,208	\$ 9,254,623

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 45,247	\$ 85,345
Accrued expenses	121,326	82,516
	166,573	167,861
 <b>NET ASSETS</b>		
Unrestricted		
Operating	4,534,193	5,679,241
Board designated	1,086,166	1,080,265
Total unrestricted	5,620,359	6,759,506
Temporarily restricted	1,672,961	1,666,335
Permanently restricted	692,315	660,921
	7,985,635	9,086,762
	\$ 8,152,208	\$ 9,254,623

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

## BOYS &amp; GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				Total
	Unrestricted		Temporarily Restricted	Permanently Restricted	
	Operating	Board Designated			
<b>SUPPORT AND REVENUE</b>					
Contributions and grants:					
Individuals	\$ 370,124	\$ -	\$ -	\$ -	\$ 370,124
Foundations	1,819,585	-	505,833	-	2,325,418
Corporations	546,122	7,000	-	-	553,122
Heights Youth Club	91,800	-	-	-	91,800
Clubs and organizations	7,040	-	-	-	7,040
Government grants	269,965	-	-	-	269,965
United Way services	370,649	-	122,500	-	493,149
Special events - net	191,059	-	-	-	191,059
Other income	79,690	-	-	-	79,690
Governmental in-kind	36,949	-	-	-	36,949
Program fees	3,380	-	-	-	3,380
Investment income (loss)	799	61,608	-	31,394	93,801
Total support and revenue	3,787,162	68,608	628,333	31,394	4,515,497
Net assets released from restrictions:					
Satisfaction of restrictions through:					
Operating expenses	684,414	(62,707)	(621,707)	-	-
	4,471,576	5,901	6,626	31,394	4,515,497
Expenses before depreciation:					
Program	4,301,458	-	-	-	4,301,458
Fundraising and development	578,064	-	-	-	578,064
General and administrative	423,325	-	-	-	423,325
Total expenses before depreciation	5,302,847	-	-	-	5,302,847
Change in net assets before depreciation					
	(831,271)	5,901	6,626	31,394	(787,350)
Depreciation expenses and impairment loss:					
Program	277,777	-	-	-	277,777
Impairment loss	-	-	-	-	-
Fundraising and development	18,000	-	-	-	18,000
General and administrative	18,000	-	-	-	18,000
Total depreciation expenses and impairment loss	313,777	-	-	-	313,777
Change in net assets					
	<u>\$ (1,145,048)</u>	<u>\$ 5,901</u>	<u>\$ 6,626</u>	<u>\$ 31,394</u>	<u>\$ (1,101,127)</u>

## 2015

Unrestricted		Temporarily Restricted	Permanently Restricted	Total
Operating	Board Designated			
\$ 283,214	\$ -	\$ 50,412	\$ 500	\$ 334,126
1,754,437	14,000	118,333	-	1,886,770
777,532	250,000	16,667	-	1,044,199
90,000	-	-	-	90,000
5,682	-	-	-	5,682
295,133	-	-	-	295,133
393,940	-	122,500	-	516,440
258,888	-	-	-	258,888
339,391	-	-	-	339,391
22,230	-	-	-	22,230
3,241	-	-	-	3,241
(1)	(1,490)	-	(10,152)	(11,643)
4,223,687	262,510	307,912	(9,652)	4,784,457
1,057,701	(57,797)	(999,904)	-	-
5,281,388	204,713	(691,992)	(9,652)	4,784,457
3,378,002	-	-	-	3,378,002
432,562	-	-	-	432,562
403,028	-	-	-	403,028
4,213,592	-	-	-	4,213,592
1,067,796	204,713	(691,992)	(9,652)	570,865
279,020	-	-	-	279,020
341,674	-	-	-	341,674
18,000	-	-	-	18,000
18,000	-	-	-	18,000
656,694	-	-	-	656,694
\$ 411,102	\$ 204,713	\$ (691,992)	\$ (9,652)	\$ (85,829)

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

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated			
Net assets - January 1, 2015	\$ 5,268,139	\$ 875,552	\$ 2,358,327	\$ 670,573	\$ 9,172,591
Change in net assets - 2015	411,102	204,713	(691,992)	(9,652)	(85,829)
Net assets - December 31, 2015	5,679,241	1,080,265	1,666,335	660,921	9,086,762
Change in net assets - 2016	(1,145,048)	5,901	6,626	31,394	(1,101,127)
Net assets - December 31, 2016	<u>\$ 4,534,193</u>	<u>\$ 1,086,166</u>	<u>\$ 1,672,961</u>	<u>\$ 692,315</u>	<u>\$ 7,985,635</u>

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



BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,101,127)	\$ (85,829)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Add back (deduct): Items not affecting cash		
Depreciation	313,777	315,020
Impairment loss	-	341,674
Pledges receivable discount amortization	(21,679)	(48,999)
Pledges written off during the year	-	68,850
Increase in cash surrender value of life insurance	(2,218)	(2,398)
Interest and dividends reinvested	(15,108)	(14,562)
Unrealized (gain) loss on investments	(81,605)	86,120
Realized (gain) loss on investments	2,912	(59,915)
(Gain) loss on sale of property and equipment	(65,121)	7,583
Permanently restricted contributions	-	(500)
Cash provided by (used in) changes in the following items:		
Decrease in pledges receivable	359,919	718,273
Decrease in grants receivable	2,648	50,398
Decrease in prepaid expenses	15,162	4,871
Increase (decrease) in accounts payable	(40,098)	6,429
Increase in accrued expenses	38,810	10,214
Net cash provided by (used in) operating activities	<u>(593,728)</u>	<u>1,397,229</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(78,582)	(183,145)
Proceeds from sale of property and equipment	81,505	8,000
Proceeds from sale of investments	314,167	451,567
Purchases of investments	(257,671)	(658,270)
Net cash provided by (used in) investing activities	<u>59,419</u>	<u>(381,848)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions	<u>-</u>	<u>500</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(534,309)	1,015,881
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,549,710</u>	<u>533,829</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,015,401</u>	<u>\$ 1,549,710</u>

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

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2016

	2016							
	Program							
	Academic Success	Character & Citizenship	Healthy Lifestyles	Youth Violence Reduction	Total Program	General & Administrative	Fundraising & Development	Total
Personnel costs	\$ 1,077,011	\$ 866,862	\$ 682,983	\$ 561,043	\$ 3,187,899	\$ 293,254	\$ 420,812	\$ 3,901,965
Professional and contract services	22,292	17,942	14,136	101,223	155,593	42,624	121,277	319,494
Programming	225,401	181,420	142,937	12,587	562,345	39,166	21,048	622,559
Occupancy	151,083	121,603	95,809	27,126	395,621	48,281	14,927	458,829
Total expenses before depreciation	1,475,787	1,187,827	935,865	701,979	4,301,458	423,325	578,064	5,302,847
Depreciation expenses	113,636	91,540	72,601	-	277,777	18,000	18,000	313,777
<b>Total expenses</b>	<b>\$ 1,589,423</b>	<b>\$ 1,279,367</b>	<b>\$ 1,008,466</b>	<b>\$ 701,979</b>	<b>\$ 4,579,235</b>	<b>\$ 441,325</b>	<b>\$ 596,064</b>	<b>\$ 5,616,624</b>

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
CONSOLIDATED 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	<u>\$ 1,647,776</u>	<u>\$ 1,314,338</u>	<u>\$ 1,036,582</u>	<u>\$ 3,998,696</u>	<u>\$ 421,028</u>	<u>\$ 450,562</u>	<u>\$ 4,870,286</u>

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

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Boys & Girls Clubs of Cleveland (BGCC) is a nonprofit organization, 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.

Cleveland PeaceMakers, Inc. (PeaceMakers) is a nonprofit organization, which provides the residents of Cleveland with caring, committed and competent individuals equipped to offer crime prevention and conflict mediation services to youth and young adults who are at risk of, victim of, and/or perpetrators of street violence which is offered through the Youth Violence Reduction program.

Principles of Consolidation

The consolidated financial statements include the amounts of Boys and Girls Clubs of Cleveland and its subsidiary Cleveland PeaceMakers, Inc. (collectively, the Clubs). All significant intercompany transactions have been eliminated.

BGCC 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 consolidated 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 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.

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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.

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 consolidated 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 consolidated 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 consolidated 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.

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.

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated statement of activities. Specific-identification is used to identify securities sold.

Grants and Pledges Receivable

Grants receivable represent various amounts from governments, agencies and foundations awarded at December 31, 2016 and 2015 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, 2016 and 2015, 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 consolidated 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, 2016 and 2015 was \$15,703 and \$37,382, 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. There were no write offs during the year ended December 31, 2016. Based on the Clubs' minimal write-off experience, no allowance for uncollectible accounts has been recorded at December 31, 2016 and 2015.

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.

Advertising

The Clubs' policy is to expense advertising costs as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$2,800 and \$1,265 respectively.

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$60,000 and \$22,275 of corporate in-kind revenue from contributed services for the years ended December 31, 2016 and 2015, respectively, for which the corresponding expense is included in non-program fundraising & development general and administrative and professional and contract services costs.

Subsequent Events

The Clubs evaluated subsequent events through May 30, 2017, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

2. INVESTMENTS

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

	2016		
	Cost	Fair Value	Cumulative Unrealized Gain
Mutual funds	\$ 1,554,324	\$ 1,699,077	\$ 144,753
Money market funds	42,148	42,148	-
	<u>\$ 1,596,472</u>	<u>\$ 1,741,225</u>	<u>\$ 144,753</u>
	2015		
	Cost	Fair Value	Cumulative Unrealized Gain
Mutual funds	\$ 1,603,280	\$ 1,666,428	\$ 63,148
Money market funds	37,492	37,492	-
	<u>\$ 1,640,772</u>	<u>\$ 1,703,920</u>	<u>\$ 63,148</u>

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. INVESTMENTS (continued)

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

	2016	2015
Interest and dividend income, net	\$ 15,108	\$ 14,562
Realized gains (losses)	(2,912)	59,915
Unrealized gains (losses)	81,605	(86,120)
Total investment return	\$ 93,801	\$ (11,643)

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, 2016 and 2015 consisted of Level 1 investments at quoted prices in active markets for identical assets.



BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2016	2015
Land	\$ 505,000	\$ 533,500
Buildings and improvements	6,250,808	7,306,009
Equipment	650,952	632,865
Furniture and fixtures	514,265	502,572
Vehicles	213,768	213,768
	8,134,793	9,188,714
Less: Accumulated depreciation	(4,058,102)	(4,860,444)
	\$ 4,076,691	\$ 4,328,270

5. TEMPORARILY RESTRICTED NET ASSETS

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

	2016			
	Beginning Net Assets	Contributions & Investment Income	Net Assets Released from Restriction	Ending Net Assets
United Way	\$ 122,500	\$ 122,500	\$ (122,500)	\$ 122,500
Future programs	1,543,835	505,833	(499,207)	1,550,461
	\$ 1,666,335	\$ 628,333	\$ (621,707)	\$ 1,672,961
	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	2,233,327	185,412	(874,904)	1,543,835
	\$ 2,358,327	\$ 307,912	\$ (999,904)	\$ 1,666,335

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2016 and 2015.

*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.

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. ENDOWMENT DISCLOSURES (continued)

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.

*Changes in Endowment Net Assets*

	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets – January 1, 2015	\$ 875,552	\$ 670,573	\$ 1,546,125
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>

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. ENDOWMENT DISCLOSURES (continued)

Endowment net assets – December 31, 2015	\$ 1,080,265	\$ 660,921	\$ 1,741,186
Investment gain:			
Interest and dividends	30,075	-	30,075
Investment fees	(14,976)	-	(14,976)
Realized losses	(2,167)	(1,535)	(3,702)
Unrealized gains	48,676	32,929	81,605
Total investment gain	<u>61,608</u>	<u>31,394</u>	<u>93,002</u>
Distributions to operating under spending policy	<u>(62,707)</u>	<u>-</u>	<u>(62,707)</u>
Contributions	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Endowment net assets – December 31, 2016	<u>\$ 1,086,166</u>	<u>\$ 692,315</u>	<u>\$ 1,778,481</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% (3.25% and 3.00% at December 31, 2016 and 2015, respectively). There were no amounts outstanding under this agreement at December 31, 2016 and 2015.

8. LEASES

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

Lease expense for the years ended December 31, 2016 and 2015, was \$62,283 and \$64,869, respectively.

Minimum future lease payments as of December 31, 2016 are as follows:

YEAR ENDING <u>DECEMBER 31,</u>	
2017	\$ 24,366
2018	24,366
2019	23,166
2020	<u>17,612</u>
	<u>\$ 89,510</u>

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2016 and 2015 are as follows:

	2016			
	Revenue	Expense	Net	
Shazam	\$ 9,500	\$ -	\$ 9,500	
Race for Kids	174,454	14,962	159,492	
Taco Bell Golf Classic		78,475	61,572	16,903
Miscellaneous events	7,566	2,402	5,164	
	\$ 269,995	\$ 78,936	\$ 191,059	
	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
Wall Street Golf Outing	23,600	6,922	16,678	
Miscellaneous events	9,022	499	8,523	
	\$ 424,665	\$ 165,777	\$ 258,888	

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, 2016 and 2015 were \$106,904 and \$77,047, respectively.

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2016 and 2015 totaled \$192,909 and \$192,229, respectively.

The cash surrender values of the insurance policies at December 31, 2016 and 2015 totaled \$72,785 and \$70,567, respectively.

12. HEIGHTS YOUTH CLUB

The Clubs have an operating agreement with Heights Youth Club, Inc. (HYC) that began on September 1, 2006 and expired on August 16, 2016, but has continued on a month to month basis. The Clubs expect to sign a new operating agreement during 2017. 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 \$299,717 and \$269,061 during the years ended December 31, 2016 and 2015, respectively, of which \$91,800 and \$90,000 was covered by funds donated by HYC each year, respectively.

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 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, 2016, the Clubs recognized Campaign donations and pledges of \$8.38 million, of which \$7.32 million had been collected. As of December 31, 2016 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 2016, \$944,000 in Campaign funds were used to fund expanded operations. In addition, operating hours were approximately 24 hours per week and average daily attendance was 907 kids per day. There were 15 sites in operation at the end of 2016.

BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DISPOSITION OF MT. PLEASANT AND WESTSIDE CLUBS

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. During 2016, the two locations were closed and the assets were disposed. The Clubs wrote off the remaining costs of \$17,384 during the year ended December 31, 2016.

15. NEW PROGRAM

The Clubs responded to a community need for organizations to take a role in violence prevention. On January 12, 2016, the Clubs formed Cleveland PeaceMakers Inc. which aims to lower youth violence in the surrounding communities.

## BOYS &amp; GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

## ASSETS

	BGCC	PEACEMAKERS	ELIMINATIONS	TOTAL
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 996,651	\$ 18,750	\$ -	\$ 1,015,401
Investments	1,741,225	-	-	1,741,225
Accounts receivable, subsidiary	35,000	-	(35,000)	-
Pledges receivable	662,217	-	-	662,217
Grants receivable	175,526	-	-	175,526
Prepaid expenses	19,711	6,241	-	25,952
	<u>3,630,330</u>	<u>24,991</u>	<u>(35,000)</u>	<u>3,620,321</u>
<b>LONG-TERM ASSETS</b>				
Cash surrender value of life insurance	72,785	-	-	72,785
Pledges receivable - net	382,411	-	-	382,411
Property and equipment - net	4,076,691	-	-	4,076,691
	<u>4,531,887</u>	<u>-</u>	<u>-</u>	<u>4,531,887</u>
	<u>\$ 8,162,217</u>	<u>\$ 24,991</u>	<u>\$ (35,000)</u>	<u>\$ 8,152,208</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 43,233	\$ 37,014	\$ (35,000)	\$ 45,247
Accrued expenses	121,326	-	-	121,326
	<u>164,559</u>	<u>37,014</u>	<u>(35,000)</u>	<u>166,573</u>
<b>NET ASSETS</b>				
Unrestricted				
Operating	4,546,216	(12,023)	-	4,534,193
Board designated	1,086,166	-	-	1,086,166
Total unrestricted	<u>5,632,382</u>	<u>(12,023)</u>	<u>-</u>	<u>5,620,359</u>
Temporarily restricted	1,672,961	-	-	1,672,961
Permanently restricted	692,315	-	-	692,315
	<u>7,997,658</u>	<u>(12,023)</u>	<u>-</u>	<u>7,985,635</u>
	<u>\$ 8,162,217</u>	<u>\$ 24,991</u>	<u>\$ (35,000)</u>	<u>\$ 8,152,208</u>

See the Independent Auditors' Report.



BOYS & GIRLS CLUBS OF CLEVELAND AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	BGCC	PEACEMAKERS	ELIMINATIONS	TOTAL
<b>SUPPORT AND REVENUE</b>				
Contributions and grants:				
Individuals	\$ 367,649	\$ 2,475	\$ -	\$ 370,124
Foundations	1,623,118	702,300	-	2,325,418
Corporations	553,122	-	-	553,122
Heights Youth Club	91,800	-	-	91,800
Clubs and organizations	7,040	-	-	7,040
Government grants	269,965	-	-	269,965
United Way services	455,649	37,500	-	493,149
Special events - net	191,059	-	-	191,059
Other income	132,009	1,000	(53,319)	79,690
Governmental in-kind	36,949	-	-	36,949
Program fees	3,380	-	-	3,380
Investment income	93,801	-	-	93,801
Total support and revenue	<u>3,825,541</u>	<u>743,275</u>	<u>(53,319)</u>	<u>4,515,497</u>
Expenses before depreciation:				
Program	3,599,479	701,979	-	4,301,458
Fundraising and development	578,064	28,319	(28,319)	578,064
General and administrative	423,325	25,000	(25,000)	423,325
Total expenses before depreciation	<u>4,600,868</u>	<u>755,298</u>	<u>(53,319)</u>	<u>5,302,847</u>
Change in net assets before depreciation	<u>(775,327)</u>	<u>(12,023)</u>	<u>-</u>	<u>(787,350)</u>
Depreciation expenses and impairment loss:				
Program	277,777	-	-	277,777
Fundraising and development	18,000	-	-	18,000
General and administrative	18,000	-	-	18,000
Total depreciation expenses and impairment loss	<u>313,777</u>	<u>-</u>	<u>-</u>	<u>313,777</u>
Change in net assets	<u>\$ (1,089,104)</u>	<u>\$ (12,023)</u>	<u>\$ -</u>	<u>\$ (1,101,127)</u>

See the Independent Auditors' Report.