

BOYS AND GIRLS CLUB OF CHEYENNE,
WYOMING, INC.

Financial Statements
As Of December 31, 2018 and 2017

Together With Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Boys and Girls Club of Cheyenne, Wyoming, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Boys and Girls Club of Cheyenne, Wyoming, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Independent Auditor's Report (Continued)

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 and Girls Club of Cheyenne, Wyoming, Inc. as of December 31, 2018 and 2017, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 2, the Organization adopted the Financial Accounting Standards Board's Accounting Standards ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

JDS Professional Group

September 23, 2019

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.Statements Of Financial Position
As Of December 31, 2018 and 2017

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ASSETS	2018	2017
Current Assets:		
Cash and cash equivalents	\$ 1,384,017	\$ 1,267,912
Investments	1,025,037	1,109,041
Accounts receivable, net	21,495	20,087
Promises to give	40,436	255,595
Prepaid expenses	20,197	21,043
Total Current Assets	<u>2,491,182</u>	<u>2,673,678</u>
Long Term Assets:		
Property and equipment, net of accumulated depreciation	4,969,557	5,194,827
Assets held under deferred compensation plan	46,249	36,481
Investment - endowment	1,900	1,900
Total Long Term Assets	<u>5,017,706</u>	<u>5,233,208</u>
TOTAL ASSETS	<u><u>\$ 7,508,888</u></u>	<u><u>\$ 7,906,886</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 12,417	\$ 14,153
Accrued liabilities	5,997	5,082
Grants payable	39,375	228,394
Deferred revenue	6,605	21,000
Total Current Liabilities	<u>64,394</u>	<u>268,629</u>
Long-term Liabilities:		
Scholarship payable	<u>33,265</u>	<u>30,415</u>
Total Liabilities	<u>97,659</u>	<u>299,044</u>
Net Assets:		
Without Donor Restrictions -		
Undesignated	1,302,714	1,375,723
Designated for property and equipment	4,969,557	5,194,827
Board designated - other	970,000	970,000
Total Without Donor Restrictions	<u>7,242,271</u>	<u>7,540,550</u>
With Donor Restrictions	<u>168,958</u>	<u>67,292</u>
Total Net Assets	<u>7,411,229</u>	<u>7,607,842</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,508,888</u></u>	<u><u>\$ 7,906,886</u></u>

The accompanying notes are an integral part of the financial statements

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.

Statement Of Activities
For The Year Ended December 31, 2018

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	Without Donor Restrictions	With Donor Restrictions	2018 Total
Revenue and other support:			
Membership dues	\$ 224,009	\$	\$ 224,009
Grants and contracts	691,523		691,523
Contributions	122,785	175,000	297,785
Noncash contributions and donated services	126,033		126,033
Fundraising	405,859		405,859
Miscellaneous income	20,834		20,834
Investment income, net	(59,755)		(59,755)
Net assets released from restriction:			
Satisfaction of net program and time restrictions	73,334	(73,334)	
Total Revenue And Other Support	1,604,622	101,666	1,706,288
Expenses:			
Program Services	1,321,454		1,321,454
Supporting Services -			
General and administrative	237,940		237,940
Fundraising	343,507		343,507
Total Supporting Services	581,447		581,447
Total Expenses	1,902,901		1,902,901
CHANGES IN NET ASSETS FROM OPERATIONS	(298,279)	101,666	(196,613)
Net Assets, Beginning Of Year	7,540,550	67,292	7,607,842
NET ASSETS, END OF YEAR	<u>\$ 7,242,271</u>	<u>\$ 168,958</u>	<u>\$ 7,411,229</u>

The accompanying notes are an integral part of the financial statements

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.Statement Of Activities
For The Year Ended December 31, 2017

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	Without Donor Restrictions	With Donor Restrictions	2017 Total
Revenue and other support:			
Membership dues	\$ 226,270	\$	\$ 226,270
Grants and contracts	304,987		304,987
Contributions	678,816	68,095	746,911
Noncash contributions and donated services	94,742		94,742
Fundraising	348,080		348,080
Investment income, net	116,732		116,732
Miscellaneous	9,092		9,092
Net assets released from restriction:			
Satisfaction of program and time restrictions	81,915	(81,915)	
Total Revenues And Other Support	1,860,634	(13,820)	1,846,814
Expenses:			
Program Services	1,273,061		1,273,061
Supporting Services -			
General and administrative	215,056		215,056
Fundraising	287,820		287,820
Total Supporting Services	502,876		502,876
Total Expenses	1,775,937		1,775,937
CHANGES IN NET ASSETS FROM OPERATIONS	84,697	(13,820)	70,877
Net Assets, Beginning Of Year	7,455,853	81,112	7,536,965
NET ASSETS. END OF YEAR	<u>\$ 7,540,550</u>	<u>\$ 67,292</u>	<u>\$ 7,607,842</u>

The accompanying notes are an integral part of the financial statements

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.

Statement Of Functional Expenses

For The Year Ended December 31, 2018

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	Program Services	General & Admin	Fundraising	2018 Total
Payroll and payroll taxes	\$ 610,201	\$ 163,312	\$ 134,882	\$ 908,395
Employee benefits - other	21,480	7,287	9,521	38,288
Employee benefits - retirement	4,428	4,102	1,619	10,149
Professional fees	29,557	13,190	1,905	44,652
Vehicle	11,903	10,787	39	22,729
Insurance	5,931	1,688		7,619
Conference, training and labor	11,691	1,281	8,549	21,521
Grant expense	157,500			157,500
Marketing	3,523	403	2,772	6,698
Special event expenses			175,794	175,794
Other administrative costs	6,958	5,496	2,358	14,812
Office expenses	5,942	990	1,991	8,923
Bank fees		6,126		6,126
Occupancy expense	91,374	7,018	2,061	100,453
Food expense	46,281			46,281
Bad debt expense	18,545			18,545
Membership expenses	29,185			29,185
Activities	53,558			53,558
Total before depreciation	1,108,057	221,680	341,491	1,671,228
Depreciation	213,397	16,260	2,016	231,673
Total expenses	<u>\$ 1,321,454</u>	<u>\$ 237,940</u>	<u>\$ 343,507</u>	<u>\$ 1,902,901</u>

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

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.Statement Of Functional Expenses
For The Year Ended December 31, 2017

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	Program Services	General & Admin	Fundraising	2017 Total
Payroll and payroll taxes	\$ 485,414	\$ 137,885	\$ 91,394	\$ 714,693
Employee benefits - other	42,000	6,993	5,387	54,380
Employee benefits - retirement	2,079	3,005	1,989	7,073
Professional fees	6,739	15,671	1,379	23,789
Vehicle	8,165	510	1,531	10,206
Insurance	4,834	2,154	284	7,272
Conference, training and labor	5,816	1,114	180	7,110
Grant expense	360,000			360,000
Marketing	8,003	783	2,322	11,108
Special event expenses			136,391	136,391
Other administrative costs	8,581	4,186	2,730	15,497
Office expenses	3,981	897	2,396	7,274
Bank fees		4,667		4,667
Occupancy expense	70,697	7,875	4,135	82,707
Food expense	41,459			41,459
Bad debt expense	35,212			35,212
Membership expenses	1,625			1,625
Activities	26,523			26,523
Total before depreciation	1,111,128	185,740	250,118	1,546,986
Depreciation	161,933	29,316	37,702	228,951
Total expenses	<u>\$ 1,273,061</u>	<u>\$ 215,056</u>	<u>\$ 287,820</u>	<u>\$ 1,775,937</u>

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

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.

Statements of Cash Flows

For The Years Ended December 31, 2018 and 2017

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	2018	2017
Cash flows from operating activities:		
Changes in net assets from operations	\$ (196,613)	\$ 70,877
Adjustments to reconcile changes in net assets from operations to net cash provided by operating activities:		
Depreciation	231,673	228,951
Bad debt expense	18,545	35,212
In-kind donation of fixed assets		(14,410)
Unrealized (gain)/loss on investment	82,125	(121,226)
Changes in assets and liabilities -		
(Increase) in accounts receivable	(19,953)	(26,283)
(Increase) decrease in promises to give	215,159	(185,399)
(Increase) decrease in prepaid expenses	846	(2,621)
(Increase) in assets held for deferred compensation plan	(9,768)	(11,778)
(Decrease) in deferred revenue	(14,393)	(16,280)
Increase (decrease) in accounts payable	(1,736)	8,151
Increase (decrease) in grants payable	(189,019)	228,394
Increase (decrease) in scholarships payable	2,850	(4,926)
(Decrease) in accrued liabilities	(915)	(736)
Net cash provided by operating activities	118,801	187,926
Cash flows from investing activities:		
Purchases of investments	(709,159)	(500,994)
Sale of investment	713,295	38,853
Purchases of property and equipment	(6,832)	(50,714)
Net cash (used in) investing activities	(2,696)	(512,855)
Net Increase (Decrease) in Cash and Cash Equivalents	116,105	(324,929)
Cash And Cash Equivalents, Beginning Of Year	1,267,912	1,592,841
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,384,017</u></u>	<u><u>\$ 1,267,912</u></u>

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.

Notes To Financial Statements
For The Years Ended December 31, 2018 and 2017

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(1) Nature Of The Organization

The Boys and Girls Club of Cheyenne, Wyoming, Inc. (the “Club”) was formed to inspire and enable all young people, especially those who need them the most, to reach their full potential as productive, responsible, and caring citizens. In pursuit of this mission, the Club provides a safe place to learn and grow; ongoing relationships with caring, adult professionals; life-enhancing programs and character development experiences; hope and opportunity; and support to kids so that they can be not what they have to be, but what they can be.

(2) Summary Of Significant Accounting Policies

Method Of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Basis Of Presentation

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, the Club is required to report information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Club’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Club or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Use Of Estimates

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

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.

Notes To Financial Statements (Continued)

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Measure Of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consists of those items attributable to the Organization's ongoing program services and investment earnings. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Cash And Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and demand deposit accounts. The Club considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, except funds with investment advisor discretion.

Receivables

Accounts receivable consist of dues and fees owed by Club members and cost reimbursements due from granting agency agreements. As of December 31, 2018 and 2017, the allowance for doubtful accounts was \$13,029 and \$19,733, respectively.

Investments

Investments are carried at fair value, which is determined by readily available quoted rates. Gains and losses are recognized each year based on the market values as of the statement of financial position date.

Property And Equipment

Property and equipment is stated at cost, or fair value if contributed. Expenditures for maintenance, repairs, and minor replacements are charged to operations, and expenditures for major replacements and betterments of \$1,000 and greater are capitalized. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of five years to thirty nine years.

Contributions And Grants

The Club reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.

Notes To Financial Statements (Continued)

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Donated Goods And Services

Donated goods and services are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

A substantial number of unpaid volunteers have donated significant amounts of their time to the Club to perform a variety of tasks that assist the Club with daily operations, specific programs, and fund-raising activities. The value of this contributed time is not recognized in the financial statements because it does not meet criteria for recognition under generally accepted accounting principles.

Methods Used for Allocation of Expenses from Management and General Activities

The cost of providing program and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, wages and related payroll	Time and effort
Office expenses	Time and effort
Occupancy	Square footage
Depreciation	Square footage

Advertising Costs

The Club expenses advertising costs when costs are incurred.

Fair Value Measurements

The Club follows the *Fair Value Measurements* accounting standard, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Club has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Equities: Valued at the closing prices reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the published net asset value (NAV) of the shares held at the reporting date.

Exchange-traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Club believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the balance sheets.

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.

The carrying amount reported in the Statements of Financial Position for cash and cash equivalents, accounts receivable, promises to give, accounts payable, accrued liabilities, and grants payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, the Club adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU No. 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Reclassifications

Certain amounts have been reclassified in the prior period for comparative purposes.

Evaluation of Subsequent Events

The Club has performed an evaluation of subsequent events through September 23, 2019, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

(3) Tax Exempt Status

The Club is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an Club that is not a private foundation under Section 509(a) of the Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contribution to the Club.

The Club follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Club to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the years ended December 31, 2018 and 2017, the Club's management evaluated its tax

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.

positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

The Club is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for fiscal years ending prior to December 31, 2015. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Club believes no issues would arise.

(4) **Concentrations Of Credit Risk**

The Club's cash demand deposits are held at financial institutions at which deposits in accounts are insured up to \$250,000 by the FDIC. As of December 31, 2018, the Club's deposits did not exceed this limit.

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Notes To Financial Statements (Continued)

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(5) Investments

The following table presents the Club's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	2018	2017
	Level 1	Level 1
Investments:		
Equities:		
Financial	20,390	25,100
Exchange-traded funds:		
Energy limited partnerships		34,096
Preferred stock	34,724	16,888
High yield bond		16,143
Europe stock		125,802
Mid-cap growth	68,276	82,656
Large growth	226,853	317,210
Short-term bond	76,771	70,577
Intermediate-term bond	36,437	28,550
Real estate	19,015	24,894
Mutual funds:		
Ultra-short term bond	153,939	151,095
Nontraditional bond	38,426	27,537
Long-short equity	45,123	36,695
Emerging markets bond		17,688
Japan stock	61,478	60,288
World allocation		18,087
Diversified emerging markets		42,010
Total investments at fair market value	781,432	1,095,316
Cash and cash equivalents	245,505	15,625
Total investments	<u>\$ 1,026,937</u>	<u>\$ 1,110,941</u>

Investment income consisted of the following for the years ended December 31, 2018 and 2017:

	2018	2017
Interest and dividends	\$ 36,665	\$ 4,251
Investment fees	(8,689)	(8,745)
Realized/unrealized gains (losses)	(87,731)	121,226
Total investment (loss) income	<u>\$ (59,755)</u>	<u>\$ 116,732</u>

The assets held under deferred compensation plan are held in allocated mutual fund which is considered a Level 1 investment portfolio amounting to \$46,285 and \$36,481 for the years ended December 31, 2018 and 2017, respectively.

BOYS AND GIRLS CLUB OF CHEYENNE, WYOMING, INC.

Notes To Financial Statements (Continued)

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(6) Property And Equipment

Property and equipment consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Land	\$ 898,585	\$ 898,585
Buildings	3,236,128	3,236,128
Vehicles	181,949	181,949
Improvements	1,612,538	1,612,538
Equipment	135,760	135,171
Furniture and fixtures	70,966	65,152
Software	8,955	8,955
	6,144,881	6,138,478
Less: accumulated depreciation	1,175,324	943,651
	<u>\$ 4,969,557</u>	<u>\$ 5,194,827</u>

Depreciation expense for the years ended December 31, 2018 and 2017, was \$231,673 and \$228,951, respectively.

(7) Scholarships Payable

Scholarships payable consists of funds awarded to Club members for college tuition and expenses.

(8) Operating Leases And Rent

The Club leases space for its various programs. The Club also leases equipment and maintenance under various operating agreements. Under the terms of the agreement, the Club is obligated for the future lease payments of:

<u>Year Ended September 30,</u>	
2019	\$ 11,112
2020	2,961
	<u>\$ 14,073</u>

Rent expense amounted to \$17,194 and \$5,178 during the years ended December 31, 2018 and 2017, respectively.

(9) **Nonqualified Deferred Compensation Plan**

The Club established a self-administered non-qualified deferred compensation plan in 2014 for the benefit of the Chief Professional Officer (CPO) of the Club. The cost of the plan is borne entirely by the employer. Contributions to the plan are discretionary as determined by the Board of Directors. Benefits payments to the participant begin once the participant has attained the age of 64. The benefits vest at a rate of 10% per year once the participant attains the age of 55 until the age of 64 at which point the participant will be 100% vested. The Board of Directors approved a contribution to the plan in the amount of \$9,639 and \$9,450 during the years ended December 31, 2018 and 2017, respectively. The plan was established to comply with Section 409(A) of the Internal Revenue Code. The assets held under the deferred compensation plan amounted to \$46,249 and \$36,481 for the years end December 31, 2018 and 2017, respectively. The net present value of the liability for the vested benefits as of December 31, 2018 and 2017 is \$0.

(10) **Retirement Benefits**

Effective January 1, 2009, the Club established a SIMPLE IRA plan for eligible Club employees. The Club has elected to contribute up to a limit of 3% of the employee's compensation for the year. The Club's retirement matching expense for the years ended December 31, 2018 and 2017 were \$10,149 and \$5,889, respectively.

(11) **Endowments**

General

The Club's Endowment Fund was established by action of the Board of Directors (the "Board") to be maintained in perpetuity. The Endowment Fund may include both donor-restricted endowment funds as well as funds designated by the Board to function as endowments. The endowment funds may be established for either specific purposes or general operating use. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Club is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Directors of the Club has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Club would consider the fund to be underwater if the

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fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Club has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law.

In accordance with SPMIFA, the Club 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 Club 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 Club, and (7) investment policies of the Club.

Changes in Endowment Net Assets as of December 31, 2018 and 2017:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, December 31, 2016	\$ 700,000	\$1,900	\$ 701,900
Investment return:			
Net gain/loss on securities (realized and unrealized)	105,653		105,653
Appropriated for expenditure	(105,653)		(105,653)
Endowment net assets, December 31, 2017	\$ 700,000	\$ 1,900	\$ 701,900
Investment return:			
Net gain/(loss) on securities (realized and unrealized)	(45,744)		(45,744)
Appropriated for expenditure	(8,690)		(8,690)
Contribution and transfers	54,434		54,434
Endowment net assets, December 31, 2018	<u>\$ 700,000</u>	<u>\$ 1,900</u>	<u>\$ 701,900</u>

Underwater Funds

As of December 31, 2018 and 2017, no funds were underwater.

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Return Objectives and Risk Parameters

An Investment Policy Statement (IPS) was adopted in October 2015 and reviewed in November 2017. The Endowment Fund is invested with a long-term strategy with a balanced portfolio of equity, fixed-income, alternative assets, and cash and cash equivalent. The endowment fund shall be well diversified to avoid undue exposure to any single economic sector, industry group or individual security.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Club relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Club targets a diversified asset allocation that places a greater emphasis on global equities and global fixed income based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Due to the perpetual in nature endowment earnings not being significant, the Club has elected to not spend any of the earnings at this time. However, at such time the earnings do become significant, the Club has adopted a spending policy to ensure, the degree reasonably possible, that the Endowment Fund with which it is entrusted keep pace with inflation so that the original purpose of the Endowment Fund can be maintained in perpetuity.

(12) Net Asset With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2018 and 2017:

<u>Subject to Expenditure for Specified Purpose:</u>	2018	2017
Garden fund	\$ 3,622	\$ 4,222
Scouting program		5,000
Building maintenance		3,075
Career explorations	83,000	
Youth of the year		5,000
Lowe's renovation	40,000	
Total	126,622	17,297
<u>Subject to Passage of Time:</u>		
Time restrictions	40,436	48,095
<u>Perpetual in Nature</u>		
Endowment fund	1,900	1,900
Grand total	\$ 168,958	\$ 67,292

Net assets with donor restriction which are perpetual in nature as of December 31, 2018 and 2017, consisted of endowment funds for which earnings are to be used for operating purposes.

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(13) **Board Designated Net Assets**

Net assets without donor restrictions have been designated by the Board of Directors for the following purposes as of December 31, 2018 and 2017:

	2018	2017
Operating reserve - endowment	\$ 700,000	\$ 700,000
Expansion	150,000	150,000
Major repairs and maintenance	120,000	120,000
Total	<u>\$ 970,000</u>	<u>\$ 970,000</u>

(14) **Fundraising Events**

Revenue and expenses for the Club's major fund-raising events are as follows during the years ended December 31, 2018 and 2017:

	2018	2017
Revenue:		
Chili Challenge	\$ 31,760	\$ 35,234
Back A Kid breakfast	154,463	135,898
Dancing with the Stars	187,772	155,060
Other events	31,864	21,888
	<u>405,859</u>	<u>348,080</u>
Expenses:		
Chili Challenge	19,011	18,348
Back A Kid breakfast	49,522	58,575
Dancing with the Stars	107,231	57,137
Other expenses allocated	167,743	153,760
	<u>343,507</u>	<u>287,820</u>
Net revenue from fundraising events	<u>\$ 62,352</u>	<u>\$ 60,260</u>

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(14) Noncash Contributions and Donated Services

Noncash contributions and donated services consisted of the following during the years ended December 31, 2018 and 2017:

	2018	2017
Property and equipment	\$ 678	\$ 14,410
Advertising	33,977	17,006
Rent	12,016	
Professional legal services	2,412	6,126
Education		300
Professional technology services	2,017	7,300
Catering and meals	41,301	40,628
Labor for events	11,500	
Supplies	22,132	6,580
Repairs and maintenance		2,392
	<u>\$ 126,033</u>	<u>\$ 94,742</u>

(15) Liquidity And Availability Of Financial Assets

	2018
Financial assets at year end	
Cash and cash equivalents	\$ 1,384,017
Investments	1,025,037
Accounts receivable	21,495
Promises to give	40,436
Financial assets, at year end	<u>2,470,985</u>
Less those unavailable for general expenditures within one year due to:	
Board designated	<u>(970,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,500,985</u>

The Club has adopted a liquidity policy. Under the policy, the Club will endeavor to ensure, to the degree reasonably possible, that assets with which it is entrusted will be used in a socially acceptable manner. The Club shall keep at a minimum three months of average expenses, based on the current year's budget, in liquid assets available in order to meet general operating expenses occurring within one-year of the statement of financial position.

Major repairs and maintenance may be drawn from the Repairs and Maintenance Account, and major expenses involved with expansion from the Expansion Account upon Board approval.

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It is understood that in the course of business, the Club will have months of both positive and negative cash flow. It is the intent of this policy to use positive cash months to cover the negative months, in combination with the minimum reserve shall cover operating expenses for a one-year time. At the close of each calendar year the Board will review the level of excess liquid assets in comparison to the next year budget. The Board may vote to invest excess cash according to the investment policy.

(16) Affiliate

The Club is affiliated with Boys and Girls Clubs of America, not by common management or control but by the common purpose of providing youth with safe and caring environments where they will have mentors and teachers who will encourage, support, nurture, and value them. The National Club provides operational grants to the local Clubs. The Club received \$95,166 and \$45,356 in grants from the Boys and Girls Club of America during the years ended December 31, 2018 and 2017, respectively.

(17) Adoption of Accounting Standards Update 2016-14

The following financial statement line items for the year ended December 31, 2017, were reclassified as a result of the adoption of FASB Accounting Standards Update No. 2014-16, *Presentation of Financial Statements of Not-For-Profit Entities*.

	As Previously Reported	Adoption of ASU No. 2016-14	As Reclassified
Temporarily restricted net assets	\$ 65,392	\$ (65,392)	\$
Permanently restricted net assets	1,900	(1,900)	
Net assets with donor restrictions		67,292	67,292
Unrestricted net assets	7,540,550	(7,540,550)	
Net assets without donor restrictions		7,540,550	7,540,550
Total	<u>\$ 7,607,842</u>	<u>\$</u>	<u>\$ 7,607,842</u>

(19) New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606), which deferred the effective date of the new revenue recognition standard for one year. The

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new standard is effective for the Club for the year ended December 31, 2019. Early application is permitted for the Club. The Club is evaluating the effect that ASU No. 2015-14 will have on its financial statement and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer off assets as an exchange transaction or a contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities - Revenue Recognition*, which exchange transactions are accounted for under other guidance such as ASC 606, *Revenue from Contracts with Customers*. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The new standard is effective for the Club for the year ended December 31, 2019. Early adoption is permitted. The Club is evaluating the effect that ASU No. 2018-08 will have on its financial statements and related disclosures.

In December of 2018, FASB issued ASU No. 2018-20, *Leases*. ASU No. 2018-20 which requires the Club to recognize all leased assets on the statement of financial position with corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosure as to the nature and extend of leasing activities. The requirements of this statements are effective for the Club's year ended December 31, 2020. The Club has not evaluated the impact due to the timing of implementation of this standard.