



Boys and Girls Clubs of Broward County, Inc.

**Financial Statements
Years Ended June 30, 2016 and 2015**

Boys and Girls Clubs of Broward County, Inc.

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Tel: 305-442-2200
Fax: 305-444-0880
www.bdo.com

2121 PonceDeLeon Blv, 11th Floor
Coral Gables, FL 33134

Independent Auditor's Report

To the Board of Directors
Boys and Girls Clubs of Broward County, Inc.
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Boys and Girls Clubs of Broward County, Inc., which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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.

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



**Independent Auditor's Report
(continued)**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of Broward County, Inc. as of June 30, 2016 and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, Rules of the Florida Auditor General, and is not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of Boys and Girls Clubs of Broward County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys and Girls Clubs of Broward County, Inc.'s internal control over financial reporting and compliance.

2015 Consolidated Financial Statements

The consolidated financial statements of Boys and Girls Clubs of Broward County Inc. and Subsidiary as of and for the year ended June 30, 2015 were audited by Goldstein Schechter Koch, LLP ("GSK") whose partners and professional staff joined BDO USA, LLP as of August 15, 2016, and has subsequently ceased operations. GSK expressed an unmodified opinion on those consolidated statements in their report dated November 19, 2015.

BDO USA, LLP

Coral Gables, Florida
November 21, 2016

Boys and Girls Clubs of Broward County, Inc.

Statements of Financial Position

June 30, 2016

(With Comparative Information About Boys and Girls Clubs of Broward County, Inc. and Subsidiary as of June 30, 2015)

	2016	2015
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 1,420,443	\$ 1,860,442
Accounts receivable, net of allowance for doubtful accounts of \$30,435 and \$249,860, respectively	581,895	529,015
Promises receivable	23,000	-
Notes receivable, current portion (Note 6)	29,778	29,778
Grants and contracts receivable (Note 13)	1,090,992	666,358
Contributions receivable on donated facilities, net of discount of \$100,239 and \$121,013 respectively (Note 8)	322,019	313,976
Prepaid expenses and other current assets	333,528	354,182
Total current assets	3,801,655	3,753,751
Cash surrender value of life insurance	318,479	297,103
Notes receivable, non-current portion (Note 6)	357,336	387,114
Investments (Notes 2, 4 and 5)	15,594,288	16,757,381
Beneficial interest in perpetual trusts (Note 3)	4,114,137	4,426,500
Promises receivable, non current portion net of discount of \$9,473	65,257	-
Contributions receivable on donated facilities, non-current portion net of discount of \$1,955,618 and \$2,045,621, respectively (Note 8)	3,158,353	3,424,419
Property and equipment, net (Note 7)	13,992,556	13,868,148
Total assets	\$ 41,402,061	\$ 42,914,416
Liabilities:		
Current Liabilities:		
Accounts payable and accrued expenses (Notes 9 and 10)	\$ 1,452,465	\$ 1,767,927
Deferred revenue	249,697	206,809
Total current liabilities	1,702,162	1,974,736
Commitments and contingencies (Note 14)		
Net assets:		
Unrestricted	21,320,107	22,026,147
Temporarily restricted (Note 11)	5,528,086	5,826,978
Permanently restricted (Note 11)	12,851,706	13,086,555
Total net assets	39,699,899	40,939,680
Total liabilities and net assets	\$ 41,402,061	\$ 42,914,416

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

Boys and Girls Clubs of Broward County, Inc.

Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenue and Investment Gains and (Losses):				
Public support (Note 13):				
Special events	\$ 4,307,892	\$ -	\$ -	\$ 4,307,892
Contributions	2,361,409	8,000	10,000	2,379,409
Broward County grants and contracts	2,266,514	-	-	2,266,514
Other grants and contracts	3,895,526	956,903	-	4,852,429
Total public support	12,831,341	964,903	10,000	13,806,244
Revenue and investment gains and (losses):				
Royalties	309,256	-	-	309,256
Other income	156,553	-	-	156,553
In-kind contributions	732,328	-	-	732,328
Membership dues	224,883	-	-	224,883
Interest and dividends (Notes 2 and 6)	827,477	-	-	827,477
Realized and unrealized losses on investments, net (Notes 2 and 3)	(502,672)	(67,512)	(244,849)	(815,033)
Total revenue and investment gains and (losses)	1,747,825	(67,512)	(244,849)	1,435,464
	14,579,166	897,391	(234,849)	15,241,708
Net assets released from restrictions	1,196,283	(1,196,283)	-	-
Total public support, revenue and investment gains and (losses)	15,775,449	(298,892)	(234,849)	15,241,708
Expenses:				
Program service:				
Youth development	11,442,321	-	-	11,442,321
Supporting services:				
Management and general	742,301	-	-	742,301
Fundraising, sales and related expenses	773,770	-	-	773,770
Special events	3,523,097	-	-	3,523,097
Total supporting services	5,039,168	-	-	5,039,168
Total expenses	16,481,489	-	-	16,481,489
Change in net assets	(706,040)	(298,892)	(234,849)	(1,239,781)
Net assets, beginning of year	22,026,147	5,826,978	13,086,555	40,939,680
Net assets, end of year	\$ 21,320,107	\$ 5,528,086	\$ 12,851,706	\$ 39,699,899

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

Boys and Girls Clubs of Broward County, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenue and Investment Gains and (Losses):				
Public support (Note 13):				
Special events	\$ 3,532,516	\$ -	\$ -	\$ 3,532,516
Contributions	2,333,035	8,800	10,053	2,351,888
Broward County grants and contracts	1,688,085	-	-	1,688,085
Other grants and contracts	4,334,701	1,442,897	-	5,777,598
Total public support	11,888,337	1,451,697	10,053	13,350,087
Revenue and investment gains and (losses):				
Royalties	320,489	-	-	320,489
Other income	146,925	-	-	146,925
In-kind contributions	613,323	-	-	613,323
Membership dues	223,592	-	-	223,592
Interest and dividends (Notes 2 and 6)	865,812	-	-	865,812
Realized and unrealized gains and losses on Investments, net (Notes 2 and 3)	(207,677)	(67,421)	(253,958)	(529,056)
Total revenue and investment gains and (losses)	1,962,464	(67,421)	(253,958)	1,641,085
	13,850,801	1,384,276	(243,905)	14,991,172
Net assets released from restrictions	912,849	(912,849)	-	-
Total public support, revenue and investment gains and (losses)	14,763,650	471,427	(243,905)	14,991,172
Expenses and Losses:				
Program service:				
Youth development	11,716,440	-	-	11,716,440
Supporting services:				
Management and general	750,343	-	-	750,343
Fundraising, sales and related expenses	565,024	-	-	565,024
Special events	2,456,996	-	-	2,456,996
Total supporting services	3,772,363	-	-	3,772,363
Total expenses	15,488,803	-	-	15,488,803
Change in net assets	(725,153)	471,427	(243,905)	(497,631)
Net assets, beginning of year	22,751,300	5,355,551	13,330,460	41,437,311
Net assets, end of year	\$ 22,026,147	\$ 5,826,978	\$ 13,086,555	\$ 40,939,680

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

Boys and Girls Clubs of Broward County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2016

	Supporting Services				Program Service	
	Management and General	Fundraising, Sales and Related Expenses	Special Events	Total Supporting Services	Youth Development	Total
Salaries and Benefits:						
Salaries	\$ 309,104	\$ 504,134	\$ -	\$ 813,238	\$ 4,690,293	\$ 5,503,531
Employee benefits	75,931	79,900	-	155,831	629,270	785,101
Payroll taxes	19,117	37,439	-	56,556	364,532	421,088
Total salaries and benefits	404,152	621,473	-	1,025,625	5,684,095	6,709,720
Other Expenses:						
Occupancy	3,082	840	459,654	463,576	693,889	1,157,465
Maintenance and repairs	16,922	18,142	-	35,064	453,922	488,986
Utilities	9,621	9,423	-	19,044	557,834	576,878
Insurance	9,905	9,905	-	19,810	617,224	637,034
Professional fees	155,906	413	28,000	184,319	25,027	209,346
Postage and shipping	4,997	11,157	6,158	22,312	274	22,586
Telephone and communications	9,975	13,242	-	23,217	67,984	91,201
Supplies and equipment	26,609	30,546	274,995	332,150	1,189,621	1,521,771
Printing and publications	11,406	11,901	128,106	151,413	25,564	176,977
Dues and subscriptions	17,793	-	-	17,793	43,416	61,209
Travel and transportation	10,630	11,217	101,140	122,987	35,662	158,649
Scholarships	-	-	-	-	35,750	35,750
Bank and credit card fees	-	-	67,811	67,811	-	67,811
Miscellaneous	12,539	11,357	-	23,896	107	24,003
Entertainment and decorations	-	-	1,190,072	1,190,072	5,653	1,195,725
Food and catering	8,896	210	925,491	934,597	1,333,298	2,267,895
Other event costs	-	-	116,761	116,761	-	116,761
Publicity and promotion	2,132	31	224,909	227,072	-	227,072
Total other expenses	300,413	128,384	3,523,097	3,951,894	5,085,225	9,037,119
Total expenses before depreciation	704,565	749,857	3,523,097	4,977,519	10,769,320	15,746,839
Depreciation	37,736	23,913	-	61,649	673,001	734,650
Total expenses	\$ 742,301	\$ 773,770	\$ 3,523,097	\$ 5,039,168	\$ 11,442,321	\$ 16,481,489

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

Boys and Girls Clubs of Broward County, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2015

	Supporting Services				Program Service	
	Management and General	Fundraising, Sales and Related Expenses	Special Events	Total Supporting Services	Youth Development	Total
Salaries and Benefits:						
Salaries	\$ 352,995	\$ 338,214	\$ -	\$ 691,209	\$ 4,716,017	\$ 5,407,226
Employee benefits	68,190	74,324	-	142,514	770,447	912,961
Payroll taxes	22,279	25,186	-	47,465	369,064	416,529
Total salaries and benefits	443,464	437,724	-	881,188	5,855,528	6,736,716
Other Expenses:						
Occupancy	2,933	668	172,537	176,138	668,428	844,566
Maintenance and repairs	26,811	22,001	-	48,812	519,464	568,276
Utilities	9,634	9,110	-	18,744	604,082	622,826
Insurance	8,092	8,842	-	16,934	576,334	593,268
Professional fees	112,261	336	-	112,597	24,010	136,607
Postage and shipping	5,541	15,008	1,967	22,516	1,771	24,287
Telephone and communications	8,379	12,024	-	20,403	69,881	90,284
Supplies and equipment	23,578	25,006	10,930	59,514	1,272,163	1,331,677
Printing and publications	16,376	3,824	120,308	140,508	24,566	165,074
Dues and subscriptions	20,585	-	-	20,585	43,416	64,001
Travel and transportation	11,353	8,721	127,976	148,050	55,767	203,817
Scholarships	-	-	-	-	54,149	54,149
Bank and credit card fees	-	-	62,767	62,767	-	62,767
Bad debt expense	-	-	152,154	152,154	-	152,154
Miscellaneous	24,583	8,804	-	33,387	324	33,711
Entertainment and decorations	-	-	961,385	961,385	6,782	968,167
Food and catering	11,971	-	567,018	578,989	1,261,408	1,840,397
Other event costs	-	-	59,264	59,264	-	59,264
Publicity and promotion	1,605	-	220,690	222,295	11,928	234,223
Total other expenses	283,702	114,344	2,456,996	2,855,042	5,194,473	8,049,515
Total expenses before depreciation	727,166	552,068	2,456,996	3,736,230	11,050,001	14,786,231
Depreciation	23,177	12,956	-	36,133	666,439	702,572
Total expenses	\$ 750,343	\$ 565,024	\$ 2,456,996	\$ 3,772,363	\$ 11,716,440	\$ 15,488,803

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

Boys and Girls Clubs of Broward County, Inc.

Statement of Cash Flows

Year Ended June 30, 2016

(With Comparative Information About Boys and Girls Clubs of Broward County, Inc. and Subsidiary as of June 30, 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (1,239,781)	\$ (497,631)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	734,650	702,573
Bad debt expense	-	152,154
Increase in cash surrender value of life insurance	(21,376)	(20,233)
Rent expense on donated facilities	669,257	648,839
In-kind contributions of building structure	-	(59,355)
Contribution revenue from donated facilities	(301,489)	(902,583)
Change in value of beneficial interest in perpetual trusts	312,363	321,378
Net realized and unrealized gains on investments	768,898	207,677
Amortization of discount	(109,745)	(106,507)
Changes in operating assets and liabilities:		
Accounts receivable	(52,880)	(216,765)
Promises receivable	(88,257)	-
Grants and contracts receivable	(424,634)	152,982
Prepaid expenses and other current assets	20,654	(102,580)
Accounts payable and accrued expenses	(315,462)	95,664
Deferred revenue	42,888	5,921
Total adjustments	1,234,867	879,165
Net cash (used in) provided by operating activities	(4,914)	381,534
Cash flows from investing activities:		
Purchases of property and equipment	(859,058)	(575,866)
Sales of investments	6,843,297	5,407,591
Purchases of investments	(6,449,102)	(6,242,755)
Repayments received on notes receivable	29,778	1,229,778
Net cash used in investing activities	(435,085)	(181,252)
Net (decrease) increase in cash and cash equivalents	(439,999)	200,282
Cash and cash equivalents, beginning of year	1,860,442	1,660,160
Cash and cash equivalents, end of year	\$ 1,420,443	\$ 1,860,442

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

Boys and Girls Clubs of Broward County, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Purpose

Boys and Girls Clubs of Broward County, Inc. (the “Club”) is a not-for-profit organization whose mission is to inspire and enable all young people, especially those from challenging circumstances, to realize their full potential as productive, responsible, and caring citizens. Success is achieved through participation in the following three core care programs which are all part of the Club’s Youth Development Services:

Academic success - as part of this program, staff and volunteers place importance on encouraging members, ages 6-18, to strive for academic excellence. The Club has partnered with select educational and vocational institutions as part of a strategy designed to encourage and motivate members to think beyond high school and graduate on time.

Good character and citizenship development - this program offers opportunities for all members to engage in community service learning projects. This program includes the Youth of the Year program which promotes and celebrates service to the Club; community and family, academic performance; moral character; life goals; and poise and public speaking ability. Also part of this program is the Keystone Club. It affords teens an opportunity to gain valuable leadership and service experience by conducting activities in three areas: academic success, career exploration and community service. The Torch Club is also part of this program which helps to meet character development needs of younger adolescents at a critical stage in their development. Torch Club members learn to elect officers and work together to implement activities in four areas: service to the Club and community, education, health and fitness and social recreation.

Healthy lifestyles - this program encourages a lifelong commitment to the benefits of healthy nutrition and physical fitness. Activities in this program encourage developing teamwork and fostering good sportsmanship.

The Club also has locally developed programs that are designed to provide members with fun experiences that are hands-on, interactive and intended to develop critical thinking. These are often described as "fun with a purpose". They include: culinary arts, media arts, boat building and design, motorcycle restoration, construction and aviation.

All of the Club's programs are designed to promote and enhance the development of the Club’s members by instilling a sense of competence, usefulness, belonging, and self-esteem.

Financial Statement Presentation

The financial statements of the Club have been prepared on the accrual basis of accounting. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – net assets that are not subject to donor-imposed restrictions.
- *Temporarily restricted* – net assets subject to donor-imposed restrictions that may or will be met. Net assets are released from donor restrictions when a stipulated time restriction ends or a purpose restriction has been accomplished.
- *Permanently restricted* – net assets subject to donor-imposed restrictions that are imposed permanently.

Boys and Girls Clubs of Broward County, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 1 – Organization and Summary of Significant Accounting Policies - continued

The 2015 financial statements include the accounts of Boys and Girls Clubs of Broward County, Inc. and its wholly owned subsidiary 1421 East LLC (“LLC”). All significant intercompany balances and transactions were eliminated in consolidation.

1421 East LLC was formed August 2011, as a member managed Florida Limited Liability Company to manage a certain leasehold interest in real property owned by the Boys and Girls Clubs of Broward County, Inc. The LLC is a single-member limited liability company owned entirely by the Club. In fiscal year ended June 30, 2014, the leasehold interest was sold and in 2016, the LLC was liquidated. Therefore, the 2015 financial statements include the LLC and the 2016 financial statements do not include the LLC.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. A portion of supporting services such as management and general expenses has been allocated to all the programs based on management's allocation plan.

In-Kind Contributions

Donated use of facilities is recorded as contributions at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the facilities are being used. Contributions of services are recognized when the services received: (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 donation. Approximately 12,250 and 7,250 volunteer hours were provided to the Club during the years ended June 30, 2016 and 2015, respectively. These volunteer services do not meet the criteria for recognition as contributed services. Non-cash items and in-kind gifts are recorded at their fair value on the date they are received.

Public Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid short-term investments with remaining maturities at the date of purchase of three months or less. Cash equivalents include investments in money market funds that are carried at cost plus accrued interest, which approximates fair value.

Concentration of Credit Risk

The Club deposits excess cash with a major financial institution. At times, such balances may be in excess of federally insured limits. The Club, however, maintains supplementary insurance covering amounts in excess of federal limits.

Boys and Girls Clubs of Broward County, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 1 – Organization and Summary of Significant Accounting Policies - continued

Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, grants and contracts receivable, prepaid expenses, other current assets, accounts payable and accrued liabilities are reported at cost, which approximates fair value due to the relative terms and short maturity of these instruments. The carrying amount of contributions receivable on donated facilities, and notes receivable approximate fair value since they have been discounted to net present value using discounted cash flows. The fair value of the cash surrender value of life insurance is based on the Club's share of the respective life insurance policy as represented by the insurance company.

Investments

Investments are reported at fair value as determined by valuations provided by an external investment manager or quoted market prices. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and realized and unrealized gains and losses restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and changes in fair value are recognized.

The Club's investments are stated at fair value. The unrealized gain or loss on investments is reflected in the statements of activities. The overall valuation process and information sources by major investment classification are as follows:

- **Equity Securities:** These include domestic equities traded on a national securities exchange that are valued at the last reported sales price on the last business day of the fiscal year.
- **Mutual Funds:** These investments are the closing net asset value (NAV) of shares held at fiscal year end. If the mutual fund makes its net asset values publically available daily to set the price for purchases and redemption the following day, the mutual fund is categorized within level 1. If the Club cannot redeem its investment at net asset value per share at fiscal year-end but the investment is redeemable with 90 days notice or less, the mutual fund is categorized within level 2. As of June 30, 2016 and 2015 all mutual investment accounts were categorized as level 1.
- **Fixed income securities:** The investment grade corporate bonds held by the Club generally trade in active markets on the measurement date.
- **Real estate investment trust:** Include limited partnership interests and a real estate investment trust, are stated at fair value as determined by the general partner or investment manager. These alternative investments are not traded on an active market.
- **Exchange traded funds:** Securities that are traded on a stock exchange which experience price changes throughout the day as they are bought and sold and which trades intra-day on a national securities exchange.

Boys and Girls Clubs of Broward County, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 1 – Organization and Summary of Significant Accounting Policies - continued

Management determines the fair value measurement valuation policies and procedures, including those for level 3 recurring and non recurring measurement. Management assesses and approves these policies and procedures. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate and evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The Club's investments are exposed to various risks, such as market and credit risks. Because of the risk associated with such investments, it is possible that changes in their values will occur and that such changes could materially affect the Club's financial statements.

Beneficial Interest in Perpetual and Irrevocable Trusts

Perpetual trusts are held by third parties under arrangements where the Club has irrevocable rights to receive the income earned on the trust assets in perpetuity but never receives the assets held in trust. The trust assets are recorded at fair value as beneficial interest in the trust and contribution income under permanently restricted support at the date the trust is established. Annual distributions are reported as investment income. Adjustments to trust assets are based on fair value of the underlying investments and are recorded as permanently restricted gains or losses unless otherwise specified by the donor agreement.

The fair value of the Club's beneficial interest in irrevocable trusts is based on the Club's proportionate share of the underlying fair value of each irrevocable trust as provided by each third party trustee. Actual results may differ from these valuation assumptions and these differences could significantly affect the accuracy of fair value estimates included in these financial statements.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable principally consist of uncollateralized donor obligations related to the Club's special events and auctions. The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances and based on an assessment of current credit worthiness, estimates the portion of the balance, if any that will not be collected. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available, management believes its allowance for doubtful accounts as of June 30, 2016 and 2015 is adequate. However, actual write offs could exceed the recorded allowance.

At June 30, 2016 and 2015, receivables from three donors accounted for approximately 56% and 83%, respectively, of net accounts receivable. As of June 30, 2016 and 2015, there were no donor revenue concentrations over 10%.

Promises Receivable

Unconditional promises receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recognized at fair value, using present value techniques and discount rates. The discounts on the estimated future cash flow of the promises are computed using risk-free interest rates applicable to the years in which the promises are received. An allowance for uncollectible promises receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fund raising activity. Based on the information available, no allowance has been recorded as of June 30, 2016 as management believes the receivables are fully collectible.

Boys and Girls Clubs of Broward County, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 – Organization and Summary of Significant Accounting Policies - continued

At June 30, 2016 and 2015, receivables from 5 donors accounted for approximately 74% and 0%, respectively, of net promises receivable.

Grants and Contracts Receivable

The Club renders services to members under contractual agreements with governmental organizations. These agreements typically require the Club to apply for annual renewal. Certain agreements provide for termination by either party upon written notice.

Grants and contracts receivable expected to be received within one year, are recorded at their net realizable value. Management reviews grants and contracts receivable on a regular basis to determine collectability and estimates the portion of the balance that will not be collected, if any. At June 30, 2016 and 2015, receivables from six grantors accounted for approximately 99% and 97% of total grants and contracts receivable, respectively. For the years ended June 30, 2016 and 2015, revenues from one grantor accounted for approximately 37% and 28% of total grants and contracts revenue, respectively.

Contributions Receivable on Donated Use of Facilities

Contributions receivable on donated facilities includes the value of the use of certain facilities donated in connection with long-term leases. The fair value of the future contributed use of these facilities is based on the fair value of the use of these facilities at the date of initial recognition. The receivable is discounted using a rate of 3%.

Property and Equipment, Net

Property and equipment are stated at cost, less accumulated depreciation. Donated property and equipment are recorded at their estimated fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful life of the assets. The estimated useful lives used to compute depreciation range from 3 years to 50 years.

Cost of major additions and improvements that extend the life of the asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Impairment of Long-Lived Assets

The Club reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended June 30, 2016 and 2015.

Deferred Revenue

Payments received from donors in advance of a special event are recorded as deferred revenue in the accompanying statements of financial position until earned.

Boys and Girls Clubs of Broward County, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

Note 1 – Organization and Summary of Significant Accounting Policies – continued

Publicity and Promotion

Publicity and promotion costs are primarily related to the advertising of special events held by the Club. These costs are expensed as incurred. For the years ended June 30, 2016 and 2015, publicity and promotion expense amounted to \$227,072 and \$234,223, respectively.

Income Taxes

The Club has been granted an exemption from income taxes under Internal Revenue Code Section 501(c)(3) as a not-for-profit organization. Accordingly, no provision for income taxes is required as of June 30, 2016 and 2015.

The Club recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Club does not believe its financial statements include any uncertain tax positions. The Club is generally no longer subject to examination by the Internal Revenue Service for years before 2012.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions 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 years then ended. Actual results could differ from those amounts.

Subsequent Events

Management has evaluated subsequent events through November 21, 2016, the date which the financial statements were available for issuance.

Note 2 – Investments

Investments are recorded at fair value and consist of the following at June 30:

	2016	2015
Cash and cash equivalents	\$ 1,018,773	\$ 1,995,527
Equity securities	3,908,631	5,237,500
Mutual funds	6,104,091	4,990,017
Fixed income securities	2,920,238	1,896,696
Real estate investment trust	-	332,584
Exchange-traded products	1,642,555	2,305,057
Total investments	\$ 15,594,288	\$ 16,757,381

Boys and Girls Clubs of Broward County, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

Note 3 - Beneficial Interest in Perpetual and Irrevocable Trusts

The fair market value of the Club's beneficial interest in irrevocable perpetual trusts amounted to \$4,114,137 and \$4,426,500 at June 30, 2016 and 2015, respectively.

During the years ended June 30, 2016 and 2015, the change in market value of the Club's beneficial interest in perpetual trusts amounted to net losses of \$312,363 and \$321,378, respectively, and is included in the accompanying statements of activities as a component of net realized and unrealized gains and losses on investments.

Additionally, the Club is the beneficiary of several charitable remainder trusts from which the Club expects to receive its interest upon the termination of each trust. As of June 30, 2016 and 2015, the Club has not recorded its interest in these trusts as the required information has not been made available.

Note 4 - Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Club have the ability to access.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability, used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market data, which requires management to develop its own assumptions.

Boys and Girls Clubs of Broward County, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 4 - Fair Value Measurements – continued

The following table presents the Club's investments and beneficial interest in perpetual trusts measured at fair value on a recurring basis, segregated by level within the fair value hierarchy, as of June 30, 2016:

	Fair Value Measurements at Reporting Date Using:			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Short-term investments	\$ 1,018,773	\$ -	\$ -	\$ 1,018,773
Equity securities:				
Domestic	2,951,931	-	-	2,951,931
International	956,700	-	-	956,700
Total equity securities	3,908,631	-	-	3,908,631
Mutual funds	6,104,091	-	-	6,104,091
Fixed income securities:				
Corporate bonds	2,920,238	-	-	2,920,238
Exchange-traded funds	1,642,555	-	-	1,642,555
Total investments	\$ 15,594,288	\$ -	\$ -	\$ 15,594,288
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 4,114,137	\$ 4,114,137

Boys and Girls Clubs of Broward County, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 4 - Fair Value Measurements – continued

The following table presents the Club's investments and beneficial interest in perpetual trusts measured at fair value on a recurring basis, segregated by level within the fair value hierarchy, as of June 30, 2015:

	Fair Value Measurements at Reporting Date Using:			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Short-term investments	\$ 1,995,527	\$ -	\$ -	\$ 1,995,527
Equity securities:				
Domestic	3,863,512	-	-	3,863,512
International	1,373,988	-	-	1,373,988
Total equity securities	5,237,500	-	-	5,237,500
Mutual funds	4,990,017	-	-	4,990,017
Fixed income securities:				
Corporate bonds	1,896,696	-	-	1,896,696
Exchange-traded funds	2,305,057	-	-	2,305,057
Real estate investment trust	-	332,584	-	332,584
Total investments	\$ 16,424,797	\$ 332,584	\$ -	\$ 16,757,381
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 4,426,500	\$ 4,426,500

There were no transfers between the levels of the fair value hierarchy during the years ended June 30, 2016 and 2015.

Boys and Girls Clubs of Broward County, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 4 - Fair Value Measurements - continued

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Club has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

Changes in Level 3 assets measured at fair value are as follows for the years ended June 30:

	2016			
	Beginning balance	Payments received/writeoffs	Net unrealized loss	Ending balance
Beneficial interest in perpetual trusts	\$ 4,426,500	\$ -	\$ (312,363)	\$ 4,114,137

	2015			
	Beginning balance	Payments received/writeoffs	Net unrealized loss	Ending balance
Beneficial interest in perpetual trusts	\$ 4,747,878	\$ -	\$ (321,378)	\$ 4,426,500

Gains and losses (realized and unrealized) are included in change in net assets for the years ended June 30, 2016 and 2015 and are reported in realized and unrealized gains and losses in investments, net.

Note 5 - Endowment

The Not-for-Profit Entities Presentation of Financial Statements Subtopic of the FASB'S Accounting Standards Codification ("ASC") (ASC 958-205) provides guidance, among other things, on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). During the year ended June 30, 2013, the State of Florida adopted UPMIFA. The effective date of the legislation enacting Florida UPMIFA was July 1, 2012. The following disclosures are required by ASC 958-205 for all not-for-profit organizations.

Interpretation of Relevant Law

The management of the Club's endowed funds is guided by the laws of the State of Florida specifically, the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). The Board of Directors of the Club has interpreted FUPMIFA as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Board of Directors classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Boys and Girls Clubs of Broward County, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

Note 5 – Endowment – continued

Interpretation of Relevant Law - continued

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- 1) The purpose of the Club
- 2) The intent of the donor of the endowment fund
- 3) The terms of the applicable instrument
- 4) The long-term and short-term needs of the Club in carrying out its purposes
- 5) General economic conditions
- 6) The possible effect of inflation or deflation
- 7) The other resources of the Club
- 8) Perpetuation of the endowment

Return Objectives and Risk Parameters

The Club has a spending policy of appropriating for distribution each year 4% of its endowment fund's fair value as of June 30th of the prior fiscal year. The spending policy only applies to the investment component of the endowment fund. The Board of Directors may also authorize distributions in connection with specific capital projects or other long-term purposes. In establishing this policy, the Club considered the long-term expected investment return on its investment portion of the endowment. Accordingly, over the long term, the Club expects the current spending policy to allow the investment component of the endowment fund to grow at an average of 4% annually. This is consistent with the Club's objective to maintain the purchasing power of the investment endowment assets as well as to provide additional real growth through investment returns. Distributions are generally scheduled for July, the first month of the fiscal year.

Strategies Employed for Achieving Objectives

To meet the needs of the Club, the Club's investment strategy emphasizes a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) by following the strategies outlined above.

Spending Policy and How the Investment Objective Relates to Spending Policy

To achieve the above growth objective, the Club has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Investment endowment assets are invested in a well diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation protected rate of return that has sufficient liquidity to make an annual distribution of 4% while growing the fund, if possible. Accordingly, the Club expects its investment endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the investment component of the endowment fund to unacceptable levels of risk.

Boys and Girls Clubs of Broward County, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 5 – Endowment – continued

Endowment net asset composition by type of fund is as follows as of June 30:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-restricted investments	\$ 4,900,742	\$ -	\$ -	\$ 4,900,742
Net investment return	165,418	-	-	-
Donor-restricted investments	-	13,342	9,298,935	9,477,695
Beneficial interest in perpetual trusts	-	-	3,552,771	3,552,771
	<u>\$ 5,066,160</u>	<u>\$ 13,342</u>	<u>\$ 12,851,706</u>	<u>\$ 17,931,208</u>

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-restricted investments	\$ 4,900,742	\$ -	\$ -	\$ 4,900,742
Net investment return	137,636	-	-	-
Donor-restricted investments	-	13,342	9,288,935	9,439,913
Beneficial interest in perpetual trusts	-	-	3,797,620	3,797,620
	<u>\$ 5,038,378</u>	<u>\$ 13,342</u>	<u>\$ 13,086,555</u>	<u>\$ 18,138,275</u>

From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the amount required to be retained permanently. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets, and were \$0 as of both June 30, 2016 and 2015.

The Board of Trustees had designated \$4,900,742 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Boys and Girls Clubs of Broward County, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 5 – Endowment – continued

Changes in endowment net assets are as follows for the years ended June 30:

	2016			Total Net
	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Assets
Endowment net assets, beginning of year	\$ 5,038,378	\$ 13,342	\$ 13,086,555	\$ 18,138,275
Investment income	551,828	-	-	551,828
Net depreciation of investments	(524,046)	-	-	(524,046)
Contribution	-	-	10,000	10,000
Net depreciation of beneficial interest in perpetual trust and cash surrender value of life insurance	-	-	(244,849)	(244,849)
Endowment net assets, end of year	\$ 5,066,160	\$ 13,342	\$ 12,851,706	\$ 17,931,208

	2015			Total Net
	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Assets
Endowment net assets, beginning of year	\$ 5,445,548	\$ 13,342	\$ 13,330,460	\$ 18,789,350
Investment income	498,754	-	-	498,754
Net depreciation of investments	(227,908)	-	-	(227,908)
Contribution	-	-	10,000	10,000
Net depreciation of beneficial interest in perpetual trust and cash surrender value of life insurance	-	-	(253,905)	(253,905)
Amounts appropriated for expenditure	(678,016)	-	-	(678,016)
Endowment net assets, end of year	\$ 5,038,378	\$ 13,342	\$ 13,086,555	\$ 18,138,275

Boys and Girls Clubs of Broward County, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 6 - Notes Receivable

The Club is the holder of an unsecured note receivable and receives payments of principal and interest on a quarterly basis. The note bears interest at 5.91% per annum, and is amortized over 30 years with a maturity date of November 15, 2028. The principal balance of the note as of June 30, 2016 and 2015 amounted to \$387,114 and \$416,892, respectively. Interest earned on the note receivable during the years ended June 30, 2016 and 2015, amounted to \$24,638 and \$26,398, respectively.

Note 7 – Property and Equipment, Net

Property and equipment consisted of the following at June 30:

	2016	2015
Land	\$ 2,853,232	\$ 2,853,232
Building and improvements	17,896,998	17,130,315
Equipment and software	1,596,075	1,528,383
Construction in progress	24,683	-
Transportation equipment	336,062	336,062
	<u>22,707,050</u>	<u>21,847,992</u>
Less: accumulated depreciation	(8,714,494)	(7,979,844)
Property and equipment, net	<u>\$ 13,992,556</u>	<u>\$ 13,868,148</u>

Depreciation expense for the years ended June 30, 2016 and 2015 amounted to \$734,650 and \$702,572, respectively.

Note 8 - Contributions Receivable on Donated Facilities

The Club operates under long-term leases whose use of the related facilities is donated. The expiration dates and the related receivable associated with each facility consisted of the following at June 30:

	2016			
	Expiration Date	Gross Receivable	Unamortized Discount, at 3%	Net Receivable
Hollywood	2031	\$ 397,570	\$ (75,617)	\$ 321,953
North Lauderdale	2034	533,790	(27,668)	506,122
Pompano	2024	1,395,334	(150,221)	1,245,113
Town of Davie # 1	2039	683,261	(189,873)	493,388
Town of Davie # 2	2101	2,526,274	(1,612,478)	913,796
		<u>\$ 5,536,229</u>	<u>\$ (2,055,857)</u>	<u>\$ 3,480,372</u>

Boys and Girls Clubs of Broward County, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

Note 8 - Contributions Receivable on Donated Facilities - continued

		2015		
	Expiration Date	Gross Receivable	Unamortized Discount, at 3%	Net Receivable
Hollywood	2031	\$ 425,013	\$ (85,573)	\$ 339,440
North Lauderdale	2034	632,844	(45,058)	587,786
Pompano	2024	1,577,334	(189,898)	1,387,436
Town of Davie # 1	2039	713,814	(205,145)	508,669
Town of Davie # 2	2101	2,556,024	(1,640,960)	915,064
		<u>\$ 5,905,029</u>	<u>\$ (2,166,634)</u>	<u>\$ 3,738,395</u>

	2016	2015
Contributions receivable are expected to be collected in:		
Less than one year	\$ 422,257	\$ 422,257
One year to five years	1,460,262	1,558,966
Over five years	3,653,710	3,923,806
Gross contributions receivable	<u>5,536,229</u>	<u>5,905,029</u>
Less:		
Discount to present value	<u>(2,055,857)</u>	<u>(2,166,634)</u>
Contributions receivable, net	<u>\$ 3,480,372</u>	<u>\$ 3,738,395</u>

Note 9 - Employee Benefit Plan

The Club sponsors a defined contribution money purchase plan (the "Plan") formed under the administration of the Boys & Girls Clubs of America Master Pension Plan and Trust. The Plan covers substantially all full-time employees meeting certain age and length of service requirements.

At June 30, 2016 and 2015, the Club had a contribution payable to the Plan in the amount of \$273,410 and \$273,879, respectively, which is included as a component of accounts payable and accrued expenses in the accompanying statements of financial position. The Club's contributions to the Plan for the years ended June 30, 2016 and 2015 totaled \$287,125 and \$267,196, respectively, and is included in employee benefits on the accompanying statements of functional expenses.

Note 10 - Compensated Absences

The Club's liability for compensated absences of their employees was \$129,914 and \$151,605, which is included in accounts payable and accrued expenses as of June 30, 2016 and 2015, respectively. This represents amounts owed to employees under the Club's paid leave policies.

Boys and Girls Clubs of Broward County, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

Note 11 - Net Assets

Temporarily restricted net assets were available for the following purposes at June 30:

	2016	2015
Program operations	\$ 875,929	\$ 819,470
Capital projects	6,053	-
Time restrictions	4,646,104	5,007,508
	\$ 5,528,086	\$ 5,826,978

At June 30, 2016 and 2015, permanently restricted net assets amounted to \$12,851,706 and \$13,086,555, respectively, and were restricted for endowment.

Note 12 - Line of Credit

The Club maintained a \$500,000 unsecured line of credit with a bank, bearing interest at the 1-month LIBOR rate plus 2%. The Club had no outstanding borrowings as of June 30, 2016 and 2015. The line of credit expires on December 31, 2016.

Note 13 - Related Party Transactions

Boys & Girls Clubs of America

The Club is a subsidiary of the Boys & Girls Clubs of America. The Club's programs are sanctioned by the Boys & Girls Clubs of America, although its operations and management are independent of the national organization. At June 30, 2016 and 2015, grants receivable from the Boys & Girls Clubs of America amounted to \$49,057 and \$29,160, respectively. For the years ended June 30, 2016 and 2015, grant revenues from the Boys & Girls Clubs of America amounted to \$186,687 and \$144,509, respectively.

Board of Directors

The Club, during its normal course of operations, receives public support from members of its Board of Directors. At June 30, 2016 and 2015, net accounts receivable from members of the Board of Directors amounted to \$184,869 and \$188,716, respectively net of discount. For the years ended June 30, 2016 and 2015, public support from members of the Board of Directors amounted to \$1,481,778 and \$1,217,826, respectively.

Note 14 – Commitments and Contingencies

Granting Agencies

In the normal course of activities, the Club receives grants and other forms of reimbursement from various government agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management believes that all of the expenditures are properly recorded and that the liability, if any, for any reimbursement which may arise as the result of audits would not be material.

Boys and Girls Clubs of Broward County, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

Note 14 – Commitments and Contingencies - continued

Economic Conditions

The Club depends substantially on contributions and contributed services for its revenues. The ability of certain Club contributors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions. While the Club's Board of Directors believes the Club has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.

Litigation

The Club may be party to legal proceedings, investigations, and claims in the ordinary course of its business. The Club records accruals for outstanding legal matters when it believes, along with legal counsel, it is probable that a loss will be incurred and the amount can be reasonably estimated. If a loss contingency is not both probable and estimable, the Club does not establish an accrued liability. Management does not believe there is any litigation threatened against the Club other than routine matters arising out of the normal course of activities, some of which are expected to be covered by liability insurance, and none of which are expected to have a material adverse effect on the financial statements.

Operating Leases

The Club leases various office equipment under operating leases. These leases are for various terms starting June 2011 and expire at various dates through 2020.

The following is a schedule of future minimum rental payments under the operating lease agreements as of June 30, 2016:

2017	\$	10,859
2018		3,101
2019		2,544
<u>2020</u>		<u>2,120</u>
<u>Total</u>	<u>\$</u>	<u>18,624</u>

Lease expenses under these leases were approximately \$19,309 and \$22,300 for the years ended June 30, 2016 and 2015, respectively.

Supplementary Schedules

Boys and Girls Clubs of Broward County, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Grantor Program Title	Pass-Through Entity Identifying Number	CFDA Number	Grant Period	Total Expenditures
<u>U.S. Department of Agriculture</u>				
Florida Department of Education:				
Summer Food Service Program for Children	04-0782	10.559	6/8/15 to 8/14/15	\$ 444,849
Summer Food Service Program for Children	04-0782	10.559	6/13/16 to 8/19/16	191,732
Florida Department of Health:				
Child and Adult Care Food Program	A-3159	10.558	10/1/15 to 9/30/16	1,201,001
Total U.S. Department of Agriculture Pass-Through Programs				1,837,582
<u>U.S. Department of Justice Direct Programs- Pass Through Programs</u>				
Boys & Girls Clubs National Youth Mentoring Programs (Mentoring Grant)	2013-MU-FX-0070	16.726	1/1/15 to 12/31/15	3,157
Boys & Girls Clubs National Youth Mentoring Programs (Mentoring Grant)	2014-JU-FX-0018	16.726	1/1/16 to 12/31/16	49,057
Total U.S. Department of Justice Direct Programs				52,214
<u>U.S. Department of Housing and Urban Development Direct Programs</u>				
City of Pompano Beach Community Development Block Grant		14.218	10/01/15 to 9/30/16	50,000
City of Hollywood Community Development Block Grant		14.218	10/01/14 to 9/30/15	1,114
City of Hollywood Community Development Block Grant		14.218	10/01/15 to 9/30/16	11,535
Harmony Village Community Redevelopment Revitalization Plan		14.218	12/04/01 to 12/04/21	29,750
Total U.S. Department of Housing and Urban Development Direct Programs				92,399
Total Expenditures of Federal Awards				\$ 1,982,195

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Boys & Girls Clubs of Broward County, Inc. under programs of the federal government for the year ended June 30, 2016, and is presented on the accrual basis of accounting. Expenditures are recognized when they become a demand on current available financial resources. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Club, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Club. The Club has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Boys and Girls Clubs of Broward County, Inc.
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2016

State Grantor/Grantor Program Title	Contract / Grant Number	CSFA Number	Grant Period	Total Expenditures
<u>Florida Department of Juvenile Justice Pass-Through Program from:</u>				
The Florida Alliance of Boys & Girls Clubs:				
DJJ Gang Prevention through Targeted Outreach Grant	V2039	80.029	7/1/15 to 6/30/16	\$ 241,670
<u>Florida Department of Education Pass-Through Program from:</u>				
The Florida Alliance of Boys & Girls Clubs:				
Mentoring Student Assistance Initiatives	96449	48.068	7/1/15 to 6/30/16	120,000
Total State Awards				\$ 361,670

Basis of Presentation:

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of Boys & Girls Clubs of Broward County, Inc. under state programs for the year ended June 30, 2016 and is presented on the accrual basis of accounting. Expenditures are recognized when they become a demand on current available financial resources. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Florida Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Boys and Girls Clubs of Broward County, Inc.
Fort Lauderdale, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boys and Girls Clubs of Broward County, Inc. (the "Club"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Club's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control. Accordingly, we do not express an opinion on the effectiveness of the Club's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Club's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Coral Gables, Florida
November 21, 2016



Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Boys & Girls Clubs of Broward County, Inc.
Fort Lauderdale, Florida

Report on Compliance for Each Major Federal Program

We have audited Boys & Girls Clubs of Broward County, Inc. (the "Club") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Club's major federal programs for the year ended June 30, 2016. The Club's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Club's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Club's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Club's compliance.

Opinion on Each Major Federal Program

In our opinion, the Club complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.



Report on Internal Control Over Compliance

Management of the Club is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Club's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Club's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO U.S.A. LLP

Coral Gables, Florida
November 21, 2016

Boys and Girls Clubs of Broward County, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	___ Yes <u>X</u> No
Significant deficiency (ies) identified	___ Yes <u>X</u> None reported
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

Federal Awards:

Internal control over major federal programs:	
Material weakness (es) identified?	___ Yes <u>X</u> No
Significant deficiency (ies) identified?	___ Yes <u>X</u> None reported

Type of auditors' report issued on compliance of major programs?	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes <u>X</u> No
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Identification of major federal programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	___ Yes <u>X</u> No
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Boys and Girls Clubs of Broward County, Inc.
Schedule of Audit Findings and Questioned Costs
For the Year Ended June 30, 2016

Section II - Financial Statements Findings

There are no audit findings on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards.

Section III - Federal Award Findings and Questioned Costs

There are no audit findings required to be reported by the 2 CFR 200.516(a)

