

**BOYS & GIRLS CLUBS OF PALM BEACH
COUNTY, INC. AND AFFILIATE
REPORT ON AUDITS OF CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017**

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

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Independent Auditor's Report

To the Boards of Directors
Boys & Girls Clubs of Palm Beach County, Inc.
and Boys & Girls Clubs Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliate (a non-profit Organization) (the Organization) which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 consolidated financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliate as of September 30, 2018 and 2017, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary and Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information and the consolidating information listed in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. The supplementary and consolidating information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary and consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and consolidating information is fairly stated in all material respects in relation to the consolidated 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 January 29, 2019 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.



West Palm Beach, Florida
January 29, 2019

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,227,714	\$ 2,681,825
Portfolio investments	9,234,019	4,353,161
Accounts receivable, net	1,130,896	1,079,417
Current portion of unconditional promises to give, net	540,452	126,642
Prepaid expenses	<u>288,396</u>	<u>227,908</u>
Total current assets	12,421,477	8,468,953
Property and equipment, net	15,181,075	15,549,789
Unconditional promises to give, net of current portion	897,447	560,072
Beneficial interest in assets held by Community Foundation	141,821	108,385
Other assets	<u>204,204</u>	<u>227,482</u>
Total assets	<u>\$ 28,846,024</u>	<u>\$ 24,914,681</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 578,349	\$ 582,087
Current portion of notes payable	130,490	122,768
Deferred revenue	<u>690,984</u>	<u>449,169</u>
Total current liabilities	1,399,823	1,154,024
Notes payable, net of current portion	<u>482,721</u>	<u>610,683</u>
Total liabilities	<u>1,882,544</u>	<u>1,764,707</u>
Net assets:		
Unrestricted	13,836,028	13,925,127
Temporarily restricted	10,457,296	6,579,691
Permanently restricted	<u>2,670,156</u>	<u>2,645,156</u>
Total net assets	<u>26,963,480</u>	<u>23,149,974</u>
Total liabilities and net assets	<u>\$ 28,846,024</u>	<u>\$ 24,914,681</u>

See accompanying notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES

	For the Year Ended September 30, 2018				For the Year Ended September 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions and grants	\$ 2,669,716	\$ 4,820,495	\$ -	\$ 7,490,211	\$ 3,044,118	\$ 1,289,968	\$ 38,550	\$ 4,372,636
Federal, state and local government grants	4,331,104	-	-	4,331,104	3,699,815	-	-	3,699,815
Special events, net	2,307,177	-	-	2,307,177	2,185,187	-	-	2,185,187
Program revenue	442,424	-	-	442,424	497,088	-	-	497,088
Snack bar and vending, net	9,920	-	-	9,920	(1,783)	-	-	(1,783)
Donated facilities and goods	3,346,129	-	-	3,346,129	2,322,930	-	-	2,322,930
Miscellaneous	134,506	-	-	134,506	11,607	-	-	11,607
Net assets released from restrictions	<u>1,092,422</u>	<u>(1,092,422)</u>	<u>-</u>	<u>-</u>	<u>1,164,182</u>	<u>(1,164,182)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>14,333,398</u>	<u>3,728,073</u>	<u>-</u>	<u>18,061,471</u>	<u>12,923,144</u>	<u>125,786</u>	<u>38,550</u>	<u>13,087,480</u>
Expenses:								
Program services:								
Character and leadership development	1,647,185	-	-	1,647,185	1,427,260	-	-	1,427,260
Education and career development	4,111,627	-	-	4,111,627	3,562,660	-	-	3,562,660
Sports, fitness and recreation	3,167,663	-	-	3,167,663	2,744,730	-	-	2,744,730
Health and life skills	1,267,065	-	-	1,267,065	1,097,892	-	-	1,097,892
Cultural arts	<u>2,020,969</u>	<u>-</u>	<u>-</u>	<u>2,020,969</u>	<u>1,751,138</u>	<u>-</u>	<u>-</u>	<u>1,751,138</u>
Total program services	12,214,509	-	-	12,214,509	10,583,680	-	-	10,583,680
Supporting services:								
Management and general	1,354,103	-	-	1,354,103	1,262,311	-	-	1,262,311
Fund raising	<u>895,826</u>	<u>-</u>	<u>-</u>	<u>895,826</u>	<u>916,416</u>	<u>-</u>	<u>-</u>	<u>916,416</u>
Total expenses	<u>14,464,438</u>	<u>-</u>	<u>-</u>	<u>14,464,438</u>	<u>12,762,407</u>	<u>-</u>	<u>-</u>	<u>12,762,407</u>
Increase (decrease) in net assets before non-operating activities	(131,040)	3,728,073	-	3,597,033	160,737	125,786	38,550	325,073
Transfer of assets	(25,000)	-	25,000	-	-	-	-	-
Net investment return	107,766	149,532	-	257,298	54,531	380,468	-	434,999
Net unrealized gain on beneficial interest in assets held by Community Foundation	8,436	-	-	8,436	8,385	-	-	8,385
Interest expense	(49,261)	-	-	(49,261)	(55,511)	-	-	(55,511)
Loss on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(169,604)</u>	<u>-</u>	<u>-</u>	<u>(169,604)</u>
Increase (decrease) in net assets	(89,099)	3,877,605	25,000	3,813,506	(1,462)	506,254	38,550	543,342
Net assets - beginning of year	<u>13,925,127</u>	<u>6,579,691</u>	<u>2,645,156</u>	<u>23,149,974</u>	<u>13,926,589</u>	<u>6,073,437</u>	<u>2,606,606</u>	<u>22,606,632</u>
Net assets - end of year	<u>\$ 13,836,028</u>	<u>\$ 10,457,296</u>	<u>\$ 2,670,156</u>	<u>\$ 26,963,480</u>	<u>\$ 13,925,127</u>	<u>\$ 6,579,691</u>	<u>\$ 2,645,156</u>	<u>\$ 23,149,974</u>

See accompanying notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2018

	Program Services					Supporting Services		Total Expenses
	Character and Leadership Development	Education and Career Development	Sports, Fitness and Recreation	Health and Life Skills	Cultural Arts	Management and General	Fund Raising	
Marketing and public relations	\$ 2,655	\$ 6,627	\$ 5,106	\$ 2,042	\$ 3,257	\$ 8,977	\$ 1,444	\$ 30,108
Conferences and staff training	4,843	12,088	9,313	3,725	5,942	3,261	2,634	41,806
Core programs	64,726	161,567	124,474	49,790	79,414	145,068	35,202	660,241
Employee benefits	55,596	138,777	106,916	42,766	68,212	37,435	30,236	479,938
Equipment leasing and maintenance	22,907	57,179	44,051	17,621	28,105	15,424	12,458	197,745
Insurance	43,372	108,263	83,408	33,363	53,214	29,204	23,588	374,412
Building maintenance	56,283	140,490	108,236	43,294	69,054	37,897	30,609	485,863
In-kind:								
Free use of facilities:								
Rent, Belle Glade schools	54,544	136,150	104,892	41,957	66,921	36,727	29,664	470,855
Rent, all other locations	68,938	172,079	132,572	53,029	84,581	46,419	37,492	595,110
Utilities	13,495	33,685	25,952	10,381	16,557	9,087	7,339	116,496
Food program	259,142	646,858	498,349	199,340	317,947	174,491	140,935	2,237,062
Supplies and office expenses	10,646	26,574	20,473	8,189	13,062	17,313	5,790	102,047
Permits and dues	7,002	17,479	13,466	5,386	8,591	4,715	3,808	60,447
Payroll taxes	71,414	178,261	137,335	54,934	87,620	48,086	38,839	616,489
Planning and resource development	2,705	6,752	5,202	2,081	3,319	1,821	1,471	23,351
Postage and shipping	1,179	2,942	2,267	907	1,446	794	641	10,176
Professional fees	6,573	16,407	12,640	5,056	8,065	18,279	3,575	70,595
Salaries and casual labor	736,929	1,839,489	1,417,172	566,869	904,156	604,710	400,781	6,470,106
Recruitment	5,017	12,524	9,648	3,859	6,156	3,378	2,729	43,311
Dues and subscriptions	1,195	2,984	2,299	919	1,466	1,155	650	10,668
Telephone	7,666	19,135	14,742	5,897	9,405	5,162	4,169	66,176
Utilities	22,431	55,991	43,136	17,255	27,521	15,104	12,199	193,637
Travel and lodging	46,153	115,205	88,756	35,502	56,626	34,112	25,100	401,454
Enhancement activities	1,911	4,770	3,675	1,470	2,345	1,287	1,039	16,497
Miscellaneous	8,291	20,697	15,945	6,378	10,174	6,005	4,510	72,000
Bad debt expense (recoveries), net	(1,209)	(3,018)	(2,325)	(930)	(1,483)	(814)	(658)	(10,437)
Total expenses before depreciation	1,574,404	3,929,955	3,027,700	1,211,080	1,931,673	1,305,097	856,244	13,836,153
Depreciation	72,781	181,672	139,963	55,985	89,296	49,006	39,582	628,285
Total expenses	\$ 1,647,185	\$ 4,111,627	\$ 3,167,663	\$ 1,267,065	\$ 2,020,969	\$ 1,354,103	\$ 895,826	\$ 14,464,438

See accompanying notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2017

	Program Services					Supporting Services		Total Expenses
	Character and Leadership Development	Education and Career Development	Sports, Fitness and Recreation	Health and Life Skills	Cultural Arts	Management and General	Fund Raising	
Marketing and public relations	\$ 1,984	\$ 4,954	\$ 3,816	\$ 1,527	\$ 2,435	\$ 92,106	\$ 1,079	\$ 107,901
Conferences and staff training	3,288	8,207	6,323	2,529	4,034	2,214	1,788	28,383
Core programs	61,758	154,158	118,766	47,506	75,772	121,288	33,587	612,835
Employee benefits	46,502	116,076	89,427	35,771	57,054	31,312	25,290	401,432
Equipment leasing and maintenance	15,103	37,701	29,045	11,618	18,531	10,170	8,214	130,382
Insurance	51,761	129,204	99,541	39,816	63,507	34,853	28,150	446,832
Building maintenance	57,333	143,111	110,255	44,102	70,343	38,604	31,180	494,928
In-kind:								
Free use of facilities:								
Rent, Belle Glade schools	54,544	136,150	104,892	41,957	66,921	36,727	29,664	470,855
Rent, all other locations	68,972	172,166	132,639	53,056	84,624	46,442	37,511	595,410
Utilities	13,495	33,685	25,952	10,381	16,557	9,087	7,339	116,496
Food program	135,141	337,333	259,887	103,955	165,808	90,996	73,497	1,166,617
Supplies and office expenses	10,392	25,941	19,986	7,994	12,751	12,801	5,652	95,517
Permits and dues	4,583	11,441	8,814	3,526	5,623	3,086	2,493	39,566
Payroll taxes	73,403	183,225	141,159	56,464	90,060	49,425	39,920	633,656
Planning and resource development	1,584	3,955	3,047	1,219	1,944	1,067	862	13,678
Postage and shipping	1,353	3,378	2,603	1,041	1,660	911	736	11,682
Professional fees	13,758	34,343	26,458	10,583	16,880	38,732	7,482	148,236
Salaries and casual labor	641,127	1,600,352	1,232,937	493,175	786,614	514,422	348,678	5,617,305
Recruitment	4,202	10,488	8,080	3,232	5,155	2,829	2,285	36,271
Dues and subscriptions	1,797	4,485	3,455	1,382	2,204	4,126	977	18,426
Telephone	7,478	18,666	14,380	5,752	9,175	5,035	4,067	64,553
Utilities	23,363	58,318	44,929	17,972	28,665	15,731	12,706	201,684
Travel and lodging	54,787	136,756	105,359	42,144	67,219	46,408	29,796	482,469
Enhancement activities	2,849	7,111	5,478	2,191	3,495	1,918	1,549	24,591
Miscellaneous	4,448	11,098	8,551	3,419	7,456	1,369	2,421	38,762
Bad debt expense, net	-	-	-	-	-	-	140,197	140,197
Total expenses before depreciation	1,355,005	3,382,302	2,605,779	1,042,312	1,664,487	1,211,659	877,120	12,138,664
Depreciation	72,255	180,358	138,951	55,580	86,651	50,652	39,296	623,743
Total expenses	<u>\$ 1,427,260</u>	<u>\$ 3,562,660</u>	<u>\$ 2,744,730</u>	<u>\$ 1,097,892</u>	<u>\$ 1,751,138</u>	<u>\$ 1,262,311</u>	<u>\$ 916,416</u>	<u>\$ 12,762,407</u>

See accompanying notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,813,506	\$ 543,342
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	628,285	623,743
Loss on disposal of property and equipment	-	169,604
Amortization of in-kind rent	40,940	39,948
Realized and unrealized gains on portfolio investments, net	(124,224)	(374,146)
Unrealized gain on beneficial interest in assets held by community foundation	(8,436)	(8,385)
(Increase) decrease in operating assets:		
Unconditional promises to give, net	(792,125)	821,359
Accounts receivable, net	(51,479)	(157,644)
Prepaid expenses	(60,488)	165,092
Other assets	23,278	(18,092)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(3,738)	(77,199)
Deferred revenue	<u>241,815</u>	<u>29,964</u>
Net cash provided by operating activities	<u>3,707,334</u>	<u>1,757,586</u>
Cash flows from investing activities:		
Purchases of portfolio investments, net	(4,781,634)	(12,086)
Purchases of property and equipment	<u>(259,571)</u>	<u>(351,069)</u>
Net cash used in investing activities	<u>(5,041,205)</u>	<u>(363,155)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(120,240)	(103,180)
Repayments on line of credit, net	<u>-</u>	<u>(80,051)</u>
Net cash used in financing activities	<u>(120,240)</u>	<u>(183,231)</u>
Net increase (decrease) in cash and cash equivalents	(1,454,111)	1,211,200
Cash and cash equivalents, beginning of year	<u>2,681,825</u>	<u>1,470,625</u>
Cash and cash equivalents, end of year	<u>\$ 1,227,714</u>	<u>\$ 2,681,825</u>
Interest paid	<u>\$ 7,110</u>	<u>\$ 6,946</u>
Assumption of note payable for vehicle acquisition	<u>\$ -</u>	<u>\$ 158,282</u>

See accompanying notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of activities and organization

The Boys & Girls Clubs of Palm Beach County, Inc. (the Club) is a not-for-profit organization which provides educational, athletic and social services to children and teenagers throughout Palm Beach County. The Club's affiliate, Boys & Girls Clubs Foundation, Inc. (the Foundation), is a not-for-profit organization organized to solicit, accept and administer funds and property donated to the Foundation in order to ensure, in perpetuity, the financial stability of the Boys & Girls Clubs of Palm Beach County, Inc. The Organization encompasses both the Club and the Foundation.

The Organization has a long-standing commitment to meeting the needs of members and the general community through five broad program classifications:

Character and leadership development – Nurturing and guiding youthful potential and developing a moral compass through programs, volunteerism and community projects.

Education and career development – Programs such as daily homework help, literacy programs and employability skills training, stress a positive attitude to learning and encourage vocational competence.

Sports, fitness and recreation – Athletic leagues, individual sports and social competence programs build sportsmanship and teamwork and encourage constructive use of leisure time.

Health and life skills – Comprehensive health programs teach nutrition, fitness and personal hygiene, as well as conflict resolution and substance abuse prevention, as part of a healthy lifestyle.

Cultural arts – Developing and nurturing untapped artistic talent through fine arts instruction, photography workshops and the performing arts.

A summary of the significant accounting policies used to prepare the accompanying consolidated financial statements follows:

Basis of presentation

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

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) FASB ASC 958-205, net assets, revenues, expenses, gains and losses are classified as temporarily restricted, permanently restricted, or unrestricted based on the existence or absence, respectively, of donor-imposed or contractual restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Unrestricted net assets – Net assets available for the support of the Organization's operations. The unrestricted net assets may be used at the discretion of the Organization's management and the Boards of Directors.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the earnings on related investments for the general or specific purposes.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Basis of presentation, continued

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed or contractual restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by contract.

Principles of consolidation

The Organization's consolidated financial statements include the accounts of the Boys & Girls Clubs of Palm Beach County, Inc. and the Boys & Girls Clubs Foundation, Inc., for which the Club has both control and economic interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

Contributions and grants

Contributions and grants, including unconditional promises (pledges) to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional promises to give are recorded as contributions at fair value at the date the promises are received.

Contributions of assets other than cash are reported at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based on management's judgment including such factors as prior collection history, type of contribution and nature of the fundraising activity. Amounts pledged are recorded as contributions of permanently restricted net assets, if designated by the donors as such, or temporarily restricted net assets until donor restrictions are met.

The Organization reports non-cash contributions as unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports net assets released from restrictions when the donated or acquired long-lived assets are placed in service.

Revenue recognition

Program revenue is recognized as revenue in the period in which the related services commence. Fees collected prior to the commencement of the program are recognized as deferred revenue.

Special events revenue is recognized as revenue at the time of the event. Amounts received prior to the event are reported as deferred revenue.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Revenue recognition, continued

The Organization receives various grants from federal, state, local and private agencies for program and supporting service expenses. These grants are generally on a cost reimbursement basis, including recoverable overhead. Revenue from grants are deemed earned and recognized in the consolidated statements of activities when expenditures are made for the purposes specified. Grant funds that have been received but have not yet been expended for the purposes specified are reported as deferred revenue.

Donated facilities, goods, and services

Donated facilities and goods are recorded at their fair value and are reflected as contributions in the accompanying consolidated financial statements. Time donated by volunteers is not recorded in the consolidated financial statements as these services do not require specialized skills or create or enhance nonfinancial assets and therefore do not meet the recognition criteria.

Donated facilities and goods consisting of the following were recognized as revenue for the years ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Use of recreational facilities, Belle Glade Schools	\$ 470,856	\$ 470,856
Use of recreational facilities, DeGeorge Club	156,804	156,804
Use of other facilities	235,500	235,500
Land under lease, Wellington (see Note 5)	103,060	105,053
Amortization of discount	26,505	49,500
Utilities	116,496	116,496
Food	<u>2,236,908</u>	<u>1,188,721</u>
	<u>\$ 3,346,129</u>	<u>\$ 2,322,930</u>

Cash and cash equivalents

Cash and cash equivalents include demand deposits, money market accounts, and other highly-liquid investments with an original maturity of three months or less.

Portfolio investments

Portfolio investments include marketable equity securities and public mutual funds that trade at net asset value. Marketable equity securities are carried at fair values based on quoted market prices.

The net investment return includes realized gains and losses and unrealized gains and losses, based on changes in fair values during the period. Net investment returns are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

Portfolio investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain portfolio investments, it is at least reasonably possible that changes in values of portfolio investments will occur in the near-term.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Beneficial interest in assets held by Community Foundation

Beneficial interest in assets held by Community Foundation for Palm Beach and Martin Counties (the Community Foundation) represents the fiscal year end value of an endowment fund. The Organization previously entered into an agreement to establish this fund at the Community Foundation with funds received from a donor which were then transferred to the Community Foundation and specified itself as the primary beneficiary. The agreement permits the Community Foundation to substitute another beneficiary in place of the Organization if the Organization ceases to exist or, if the governing board of the Community Foundation decides that the stated restrictions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served by the Community Foundation.

Accounts receivable

Accounts receivable are stated at the amount of the uncollected balances less any allowance for doubtful accounts. These accounts receivable are evaluated for collectability and allowances for amounts deemed uncollectible are determined based on historical trends and aging of these balances. The allowance for doubtful accounts was approximately \$20,000 and \$30,000 at September 30, 2018 and 2017, respectively.

Property and equipment

Property and equipment is stated at cost if purchased or, if acquired by contribution, at the estimated fair market value on the date of contribution. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

These estimated useful lives are summarized in the following table:

Building and leasehold improvements	10-39 years
Vehicles	5 years
Equipment and furniture	3-10 years

Functional allocation of expenses

The costs of providing the various services of the Organization 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 based on systematic methods and estimates made by management.

Income taxes

The Club and the Foundation have been recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements. The Club and the Foundation are required to operate in conformity with the provisions of the IRC to maintain their exempt status.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

Income taxes, continued

Management analyzes tax positions in jurisdictions where it is required to file income tax returns. Based on its evaluation, management did not identify any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease. Interest and penalties attributable to income taxes, if any, are included in operating expenses. No such interest or penalties were recorded for the years 2018 or 2017. The Club and the Foundation are no longer subject to income tax examinations for years prior to September 30, 2015.

Special events

Special events represent various activities and fund raisers organized to generate support for the Organization's programs and services.

Use of estimates

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

Reclassifications

Certain financial statement items have been reclassified from their 2017 presentation to conform with the 2018 presentation of the financial statements.

New accounting pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958) *Presentation of Financial Statements for Not-for-Profit Entities*. ASU 2016-14 makes certain revisions that address many, but not all, of the identified issues about the current financial reporting for Not-for-Profit Entities. The ASU addresses the following key qualitative and quantitative matters:

- Net asset classes
- Investment return
- Expenses and related information
- Presentation of operating cash flows
- Liquidity and availability of resources

The amendments in ASU 2016-14 are effective for financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in this update are permitted. The amendments are applied on a retrospective basis in the year the update is first applied. In the period the update is first applied, an NFP must disclose the nature of any reclassifications or restatements and their effects, if any, on changes in net assets for each period presented. Management is evaluating the impact of adopting the ASU.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

New accounting pronouncements, continued

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarifies and improves guidance about whether a transfer of assets is a contribution or an exchange transaction, as well as clarifying how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred.

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

In February 2016, the FASB issued ASU 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

Note 2 – Portfolio Investments

A summary of portfolio investments, by investment type, at September 30, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
Marketable equity securities	\$ 2,413,749	\$ 2,388,629
Mutual funds	<u>6,820,270</u>	<u>1,964,532</u>
	<u>\$ 9,234,019</u>	<u>\$ 4,353,161</u>

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 2 – Portfolio Investments, Continued

Net investment return is comprised of the following for the years ended September 30, 2018 and 2017:

	For the Year Ended September 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Portfolio investments:				
Dividends and interest	\$ 20,848	\$ 46,867	\$ 65,359	\$ 133,074
Realized and unrealized gains	<u>5,969</u>	<u>48,771</u>	<u>69,484</u>	<u>124,224</u>
Subtotal	26,817	95,638	134,843	257,298
Transfers between classes	<u>80,949</u>	<u>53,894</u>	<u>(134,843)</u>	<u>-</u>
Subtotal	107,766	149,532	-	257,298
Beneficial interest in assets held by Community Foundation:				
Realized and unrealized gains	<u>8,436</u>	<u>-</u>	<u>-</u>	<u>8,436</u>
Total net investment return	<u>\$ 116,202</u>	<u>\$ 149,532</u>	<u>\$ -</u>	<u>\$ 265,734</u>
	For the Year Ended September 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Portfolio investments:				
Dividends and interest	\$ 25,537	\$ 11,510	\$ 23,806	\$ 60,853
Realized and unrealized gains	<u>24,837</u>	<u>90,399</u>	<u>258,910</u>	<u>374,146</u>
Subtotal	50,374	101,909	282,716	434,999
Transfers between classes	<u>4,157</u>	<u>278,559</u>	<u>(282,716)</u>	<u>-</u>
Subtotal	54,531	380,468	-	434,999
Beneficial interest in assets held by Community Foundation:				
Realized and unrealized gains	<u>8,385</u>	<u>-</u>	<u>-</u>	<u>8,385</u>
Total net investment return	<u>\$ 62,916</u>	<u>\$ 380,468</u>	<u>\$ -</u>	<u>\$ 443,384</u>

Investment expenses are recorded as reductions to net investment return in the accompanying consolidated statements of activities and to realized and unrealized gains in the tables above in the aggregate amount of \$34,970 and \$30,508 for the years ended September 30, 2018 and 2017, respectively.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 3 – Fair Value Measurements

Accounting guidance establishes 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).

Fair value measurements are broken down into three levels based on the reliability of inputs, as follows:

Level 1 Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation inputs other than quoted prices for similar assets or liabilities in active markets.

Level 3 Valuation based on unobservable inputs for the asset or liability, thereby allowing for situations in which there is little, or any, market activity for the asset or liability at the measurement date.

The following is a description of the valuation methodologies used for portfolio investment assets measured at fair value. There have been no significant changes in the methodologies used during the years ended September 30, 2018 and 2017:

Marketable equity securities - Equity securities are traded on national exchanges are valued at the last reported sale price at the statement of financial position date.

Mutual funds – Determined by the published net asset value (NAV) per unit at the end of the last trading day of the fiscal year.

The carrying amounts of the Organization’s financial instruments, including cash and cash equivalents, accounts receivable, unconditional promises to give, and liabilities, approximate fair value.

The following table summarizes the Organization’s portfolio investments reported at fair value based on the valuation methodology applied by the Organization as of September 30, 2018 and 2017:

Category	September 30, 2018	
	Amount	Level
Marketable equity securities	\$ 2,413,749	Level 1
Mutual funds	<u>6,820,270</u>	Level 1
Investment subtotal	9,234,019	
Beneficial interest in assets held by Community Foundation	<u>141,821</u>	Level 3
	<u>\$ 9,375,840</u>	
	September 30, 2017	
Category	Amount	Level
Marketable equity securities	\$ 2,388,629	Level 1
Mutual funds	<u>1,964,532</u>	Level 1
Investment subtotal	4,353,161	
Beneficial interest in assets held by Community Foundation	<u>108,385</u>	Level 3
	<u>\$ 4,461,546</u>	

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 3 – Fair Value Measurements, Continued

The following is a schedule of Level 3 investment activity for the year ended September 30, 2018 measured on a recurring basis using significant unobservable inputs:

	<u>Community Foundation</u>
Balance as of October 1, 2016	\$ 100,000
Realized/unrealized gain	<u>8,385</u>
Balance as of September 30, 2017	108,385
Contributions	25,000
Realized/unrealized gain	<u>8,436</u>
Balance as of September 30, 2018	<u>\$ 141,821</u>

Note 4 – Unconditional Promises to Give

Unconditional promises to give as of September 30, 2018 and 2017 are detailed as follows:

	<u>2018</u>	<u>2017</u>
Capital campaign pledges	\$ 1,579,150	\$ 796,249
Free use of facilities pledge	<u>-</u>	<u>22,995</u>
Unconditional promises to give before unamortized discount and allowances for uncollectible pledges	1,579,150	819,244
Less: unamortized discount	<u>(74,448)</u>	<u>(65,728)</u>
Subtotal	1,504,702	753,516
Less: allowance for uncollectible pledges	<u>(66,803)</u>	<u>(66,802)</u>
Net unconditional promises to give	<u>\$ 1,437,899</u>	<u>\$ 686,714</u>
Current portion of unconditional promises to give	\$ 540,452	\$ 126,642
Non-current portion of unconditional promises to give	<u>897,447</u>	<u>560,072</u>
	<u>\$ 1,437,899</u>	<u>\$ 686,714</u>
Amounts due in:		
Less than one year	\$ 614,900	\$ 193,444
One to five years	944,250	625,800
After five years	<u>20,000</u>	<u>-</u>
Total	<u>\$ 1,579,150</u>	<u>\$ 819,244</u>

The Organization applies discount rates ranging from 3.5% to 5% to its pledges with terms in excess of one year.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 5 – Property and Equipment

Property and equipment as of September 30, 2018 and 2017, consists of the following:

	2018	2017
Land	\$ 354,024	\$ 354,024
Land under lease, net	2,038,847	2,079,787
Building and leasehold improvements	15,551,378	15,551,378
Vehicles	1,182,086	1,231,560
Equipment and furniture	930,727	844,664
	20,057,062	20,061,413
Less: accumulated depreciation	(5,090,432)	(4,511,624)
	14,966,630	15,549,789
Construction in progress	214,445	-
Property and equipment, net	\$ 15,181,075	\$ 15,549,789

Construction in progress consists of costs incurred relating to the development and construction of the Belle Glade Teen Center, which is expected to be completed and placed in service during the year ending September 30, 2019.

Prior to 2015, the Organization entered into a long-term lease with the Village of Wellington to facilitate the relocation of its Wellington, Florida club. The net value of the land under lease represents the unamortized difference between the fair rental value of the land and the stated amount of lease payments using a 5% discount rate. The land under lease asset was recognized as a temporarily restricted contribution. The asset is being amortized over the initial 30-year lease term and recorded in the consolidated statements of activities as in-kind rent expense. Such amortization amounted to \$40,940 and \$39,948 for the years ended September 30, 2018 and 2017, respectively.

Note 6 – Line of Credit

The Organization has an unsecured line of credit agreement which provides for borrowings up to \$750,000. The agreement requires monthly interest payments at a variable rate (6% at September 30, 2018) and expires in October 2019. There were no outstanding borrowings under the line of credit at September 30, 2018 and 2017.

Note 7 – Notes Payable

The Organization is obligated under an agreement with the Village of Wellington to fund a portion of the construction costs related to the Wellington, Florida club. The terms of the agreement require 10 annual interest-free payments of \$116,030 commencing in May 2014. The Organization utilized an imputed interest rate of 5% to discount the note payable to its present value (\$480,590 at September 30, 2018).

The Organization is also obligated under vehicle loan agreements with a financial institution. The terms of the agreements require monthly principal and interest payments through July 2022, with interest rates ranging from 4.15% to 4.75% at September 30, 2018. The outstanding balance on these loans was \$132,621 as of September 30, 2018.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 7 – Notes Payable, Continued

Principal payments due on these notes in years subsequent to September 30, 2018 are as follows:

Year Ending September 30,	Amount
2019	\$ 130,490
2020	125,099
2021	129,677
2022	118,540
2023	109,405
	\$ 613,211

Note 8 – Special Events

Net special events revenue is comprised of the following for the years ended September 30, 2018 and 2017:

	2018	2017
Event proceeds	\$ 3,349,524	\$ 3,204,750
Direct event expenses	1,042,347	1,019,563
Net	\$ 2,307,177	\$ 2,185,187

Note 9 – 401(k) Safe Harbor Plan

The Organization maintains a Safe Harbor 401(k) profit sharing plan covering certain qualified employees in accordance with the provisions of Section 401(k) of the IRC. Under the plan, employees may elect to defer a portion of their salary, subject to IRS limits.

The Organization may make a safe harbor non-elective contribution in an amount equal to 3% of the eligible employee's compensation, which is allocated to all eligible employees. The Organization may also make profit-sharing contributions at its discretion which is allocated as defined by the plan among all eligible employees. The Organization's contributions totaled \$108,541 and \$89,026 for the years ended September 30, 2018 and 2017, respectively.

Note 10 – Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of September 30, 2018 and 2017 are available for the following purposes:

	2018	2017
Club:		
United Way allocation for next year	\$ 151,500	\$ 151,000
Future free use of facilities	-	22,995
Warsaw Scholarship Fund	179,932	140,550
West Palm Beach land grant	286,024	286,024
Land under lease	2,038,847	2,079,787
Belle Glade grant	186,231	-
Belle Glade operations	33,429	29,348
Foundation:		
Capital campaigns	1,437,899	663,619
Club buildings	6,143,434	3,206,368
	\$ 10,457,296	\$ 6,579,691

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 10 – Temporarily and Permanently Restricted Net Assets, Continued

Permanently restricted net assets as of September 30, 2018 and 2017 represent the following:

	<u>2018</u>	<u>2017</u>
Foundation:		
DeGeorge Club	\$ 2,506,606	\$ 2,545,156
Beneficial interest in assets held by Community Foundation	125,000	100,000
Delray Beach Club	<u>38,550</u>	<u>-</u>
	<u>\$ 2,670,156</u>	<u>\$ 2,645,156</u>

Note 11 – Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. Net assets were released from donor restrictions by incurring expenditures satisfying the purpose or time restrictions specified by donors during the years ended September 30, 2018 and 2017, as follows:

	<u>2018</u>	<u>2017</u>
Club:		
Time restrictions expired on United Way allocations	\$ 343,249	\$ 341,000
Time restrictions expired on free use of facilities	22,995	22,995
Scholarships and enterprise club	1,984	-
Land under lease	40,940	38,920
Belle Glade grant	43,406	-
Belle Glade operations	58,339	187,163
Foundation:		
Purpose and time restrictions met for:		
Capital campaign	437,458	329,295
Club buildings	<u>144,051</u>	<u>244,809</u>
	<u>\$ 1,092,422</u>	<u>\$ 1,164,182</u>

Note 12 – Endowment

The Organization's endowment is established for the purposes expressed in the Organization's charter: long-term expansion, growth and capital needs and to generate income for operational support as determined by the Foundation's Board of Directors consistent with donor intent. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Organization has adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA), which requires the Board of Directors to use reasonable care, skill and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUPMIFA, the Board of Directors may expend so much of an endowment fund as the Board of Directors determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment fund.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 12 – Endowment, Continued

Interpretation of relevant law, continued

The Board considers the following factors in making its determination:

- 1) The purpose of the Organization,
- 2) The intent of the donor of the endowment funds,
- 3) The term of the applicable instrument,
- 4) General economic conditions,
- 5) The possible effect of inflation or deflation,
- 6) The long-term and short-term needs of the Organization in carrying out its exempt purpose,
- 7) Perpetuation of the endowment.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted and Board designated endowment funds may fall below the level that the donor or Board requires the Organization to retain as a fund of perpetual duration. The Organization held certain permanently restricted endowment funds in which values had fallen below the original gift amounts as of September 30, 2018 and 2017 as a result of market conditions. The aggregate deficiencies of this nature for all donor-restricted permanently restricted endowment funds totaled \$0 and \$4,157 as of September 30, 2018 and 2017, respectively.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to achieve maximum rates of return for long-term investments based on adequate diversification and consistent with a portfolio risk level appropriate for reasonable security of permanently restricted funds.

Strategies employed to achieve objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified allocation of the investments to achieve its long-term return objectives within prudent risk constraints.

Beneficial interest in assets held by Community Foundation

Prior to 2015, the Organization entered into an agreement with the Community Foundation of Palm Beach and Martin Counties (the Community Foundation) to establish an agency endowment fund totaling \$100,000. Under the terms of the agreement, the Organization may make irrevocable transfers to the Community Foundation to be maintained in perpetuity. Annual distributions of income and capital appreciation from the fund are subject to the Community Foundation's spending policy and are to be used to fulfill the purposes of the Organization.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 12 – Endowment, Continued

Changes in endowment net assets for the year ended September 30, 2018 are presented as follows:

	For the Year Ended September 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of October 1, 2017	\$ -	\$ 278,559	\$ 2,645,156	\$ 2,923,715
Investment return:				
Investment income	-	-	65,359	65,359
Net appreciation (realized and unrealized)	-	-	69,484	69,484
Total investment return	-	-	134,843	134,843
Contribution	-	-	25,000	25,000
Transfers of endowment earnings	-	134,843	(134,843)	-
Balance as of September 30, 2018	\$ -	\$ 413,402	\$ 2,670,156	\$ 3,083,558

Note 13 – Legal Proceedings

General matters

From time to time, the Organization is subject to legal proceedings which arise in the ordinary course of its business. Management believes that the final resolution of these matters will not have a material adverse effect on the Organization's consolidated financial position, cash flows, or results of operations.

Litigation

The Organization is a party to certain legal and regulatory proceedings with respect to a variety of matters. The Organization recognizes a liability for legal proceedings when a loss is probable and estimable. When a loss is probable and estimable, within a range, the Organization accrues the amount most likely to be incurred.

Note 14 – Description of Leasing Arrangements

The Organization has operating lease agreements for the rental of office space, recreational facilities, and land, expiring through May 2043. All operating lease agreements for recreational facilities and land require annual rent of \$1 each. The office lease requires contingent rental payments of the Organization's proportionate share of the landlord's common area operating costs. The recreational facilities leases require the Organization to pay all costs of maintaining and repairing the leased premises and may generally be extended for an additional five to ten years.

Total in-kind rent expense for the years ended September 30, 2018 and 2017 was \$1,065,965 and \$1,066,265, respectively.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 15 – Risks and Concentrations

Approximately 16% of the Organization's total support and revenue is provided through grants with the State of Florida. Approximately 7% of the Organization's support and revenue is provided through grant programs with Family Central, a pass-through agency for the Children's Services Council of Palm Beach County.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Note 16 – Subsequent Events

Management evaluated the Organization's activities through January 29, 2019, the date the consolidated financial statements were available to be issued, for events that require recognition in the consolidated financial statements or disclosure in the notes thereto.

SUPPLEMENTARY INFORMATION

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2018

<u>Federal grantor/program title</u>	<u>Grant Period</u>	<u>Federal CFDA Number</u>	<u>Passthrough Grantor's Identifying Number</u>	<u>Total Program Expenditures</u>
U.S. Department of Justice:				
Passed through:				
Boys and Girls Clubs of America, Inc.				
Mentoring Programs Implementation	1/1/18-12/31/18	16.726	OJP 2017	<u>\$ 88,401</u>
U.S. Department of Housing and Urban Development:				
Passed through:				
City of West Palm Beach				
Community Development Block Grant	10/1/17-9/30/18	14.218	FY2017-18	2,842
City of Boca Raton				
Community Development Block Grant	10/1/17-9/30/18	14.218	FY2017-18	26,300
Total Community Development Block Grant				<u>29,142</u>
U.S. Department of Education:				
Passed through:				
Florida Department of Education				
Twenty-first Century Community Learning Centers	8/1/17-7/31/18	84.287	8PPC1	348,366
	8/1/17-7/31/18	84.287	8PPC2	382,935
	8/1/17-7/31/18	84.287	8PPC3	154,701
	8/1/17-7/31/18	84.287	8PPC4	176,811
	8/1/17-7/31/18	84.287	8PPC5	146,821
	8/1/17-7/31/18	84.287	8PPC6	44,798
	8/1/17-7/31/18	84.287	8PPC7	430,057
	8/1/17-7/31/18	84.287	8PPC8	79,099
	8/1/17-7/31/18	84.287	8PPC9	158,284
	8/1/17-7/31/18	84.287	8PPC10	196,724
	8/1/17-7/31/18	84.287	8PPC11	263,633
	8/1/18-7/31/19	84.287	9PPC1	109,325
	8/1/18-7/31/19	84.287	9PPC2	77,687
	8/1/18-7/31/19	84.287	9PPC3	58,492
	8/1/18-7/31/19	84.287	9PPC4	45,157
	8/1/18-7/31/19	84.287	9PPC5	55,034
	8/1/18-7/31/19	84.287	9PPC6	11,743
	8/1/18-7/31/19	84.287	9PPC7	16,112
	8/1/18-7/31/19	84.287	9PPC8	19,527
	8/1/18-7/31/19	84.287	9PPC9	10,217
	8/1/18-7/31/19	84.287	9PPC10	44,252
	8/1/18-7/31/19	84.287	9PPC11	29,103
Total Twenty-first Century Community Learning Centers				<u>2,858,878</u>
Total expenditures of federal awards				<u>\$ 2,976,421</u>

None of the expenditures presented in this schedule were provided to subrecipients, were for loan or loan guarantee programs or non-cash assistance.

See notes to schedule of expenditures of federal awards.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Boys & Girls Clubs at Palm Beach County, Inc. (the Club) under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the 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.

Note 2 – Summary of Significant Accounting Policies

Expenditures in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* and the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rates

The Club has not elected to present the 10 percent de minimis cost rate allowed under the Uniform Guidance. Therefore, certain amounts presented in this Schedule may differ from amounts presented in the basic financial statements.

CONSOLIDATING INFORMATION

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

September 30, 2018

	Boys and Girls Clubs of Palm Beach County, Inc.		
	Unrestricted	Temporarily Restricted	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 563,877	\$ 36,086	\$ 599,963
Portfolio investments	194,632	177,275	371,907
Accounts receivable, net	979,396	151,500	1,130,896
Current portion of unconditional promises to give, net	-	-	-
Due from the Foundation	1,048,797	-	1,048,797
Prepaid expenses	<u>288,396</u>	<u>-</u>	<u>288,396</u>
Total current assets	3,075,098	364,861	3,439,959
Property and equipment, net	12,458,378	2,511,102	14,969,480
Unconditional promises to give, net of current portion	-	-	-
Beneficial interest in assets held by Community Foundation	-	-	-
Other assets	<u>204,204</u>	<u>-</u>	<u>204,204</u>
Total assets	<u>\$ 15,737,680</u>	<u>\$ 2,875,963</u>	<u>\$ 18,613,643</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	\$ 578,349	\$ -	\$ 578,349
Due to the Clubs	-	-	-
Current portion of notes payable	130,490	-	130,490
Deferred revenue	<u>690,984</u>	<u>-</u>	<u>690,984</u>
Total current liabilities	1,399,823	-	1,399,823
Notes payable, net of current portion	<u>482,721</u>	<u>-</u>	<u>482,721</u>
Total liabilities	<u>1,882,544</u>	<u>-</u>	<u>1,882,544</u>
Net assets:			
Unrestricted	13,855,136	-	13,855,136
Temporarily restricted	-	2,875,963	2,875,963
Permanently restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>13,855,136</u>	<u>2,875,963</u>	<u>16,731,099</u>
Total liabilities and net assets	<u>\$ 15,737,680</u>	<u>\$ 2,875,963</u>	<u>\$ 18,613,643</u>

Boys & Girls Clubs Foundation, Inc.				Consolidated				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminating	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 204,139	\$ 386,452	\$ 37,160	\$ 627,751	\$ -	\$ 768,016	\$ 422,538	\$ 37,160	\$ 1,227,714
572,134	5,756,982	2,532,996	8,862,112	-	766,766	5,934,257	2,532,996	9,234,019
-	-	-	-	-	979,396	151,500	-	1,130,896
-	540,452	-	540,452	-	-	540,452	-	540,452
-	-	-	-	(1,048,797)	-	-	-	-
-	-	-	-	-	288,396	-	-	288,396
776,273	6,683,886	2,570,156	10,030,315	(1,048,797)	2,802,574	7,048,747	2,570,156	12,421,477
211,595	-	-	211,595	-	12,669,973	2,511,102	-	15,181,075
-	897,447	-	897,447	-	-	897,447	-	897,447
41,821	-	100,000	141,821	-	41,821	-	100,000	141,821
-	-	-	-	-	204,204	-	-	204,204
<u>\$ 1,029,689</u>	<u>\$ 7,581,333</u>	<u>\$ 2,670,156</u>	<u>\$ 11,281,178</u>	<u>\$ (1,048,797)</u>	<u>\$ 15,718,572</u>	<u>\$ 10,457,296</u>	<u>\$ 2,670,156</u>	<u>\$ 28,846,024</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 578,349	\$ -	\$ -	\$ 578,349
1,048,797	-	-	1,048,797	(1,048,797)	-	-	-	-
-	-	-	-	-	130,490	-	-	130,490
-	-	-	-	-	690,984	-	-	690,984
1,048,797	-	-	1,048,797	(1,048,797)	1,399,823	-	-	1,399,823
-	-	-	-	-	482,721	-	-	482,721
1,048,797	-	-	1,048,797	(1,048,797)	1,882,544	-	-	1,882,544
(19,108)	-	-	(19,108)	-	13,836,028	-	-	13,836,028
-	7,581,333	-	7,581,333	-	-	10,457,296	-	10,457,296
-	-	2,670,156	2,670,156	-	-	-	2,670,156	2,670,156
<u>(19,108)</u>	<u>7,581,333</u>	<u>2,670,156</u>	<u>10,232,381</u>	<u>-</u>	<u>13,836,028</u>	<u>10,457,296</u>	<u>2,670,156</u>	<u>26,963,480</u>
<u>\$ 1,029,689</u>	<u>\$ 7,581,333</u>	<u>\$ 2,670,156</u>	<u>\$ 11,281,178</u>	<u>\$ (1,048,797)</u>	<u>\$ 15,718,572</u>	<u>\$ 10,457,296</u>	<u>\$ 2,670,156</u>	<u>\$ 28,846,024</u>

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

September 30, 2017

	Boys and Girls Clubs of Palm Beach County, Inc.		
	Unrestricted	Temporarily Restricted	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 171,839	\$ -	\$ 171,839
Portfolio investments	187,035	169,898	356,933
Accounts receivable, net	928,417	151,000	1,079,417
Current portion of unconditional promises to give, net	-	22,995	22,995
Due from the Foundation	1,184,844	-	1,184,844
Prepaid expenses	<u>227,908</u>	<u>-</u>	<u>227,908</u>
Total current assets	2,700,043	343,893	3,043,936
Property and equipment, net	13,183,978	2,365,811	15,549,789
Unconditional promises to give, net of current portion	-	-	-
Beneficial interest in assets held by Community Foundation	-	-	-
Other assets	<u>164,982</u>	<u>-</u>	<u>164,982</u>
Total assets	<u>\$ 16,049,003</u>	<u>\$ 2,709,704</u>	<u>\$ 18,758,707</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	\$ 582,087	\$ -	\$ 582,087
Due to the Clubs	-	-	-
Current portion of notes payable	122,768	-	122,768
Deferred revenue	<u>449,169</u>	<u>-</u>	<u>449,169</u>
Total current liabilities	1,154,024	-	1,154,024
Notes payable, net of current portion	<u>610,683</u>	<u>-</u>	<u>610,683</u>
Total liabilities	<u>1,764,707</u>	<u>-</u>	<u>1,764,707</u>
Net assets:			
Unrestricted	14,284,296	-	14,284,296
Temporarily restricted	-	2,709,704	2,709,704
Permanently restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>14,284,296</u>	<u>2,709,704</u>	<u>16,994,000</u>
Total liabilities and net assets	<u>\$ 16,049,003</u>	<u>\$ 2,709,704</u>	<u>\$ 18,758,707</u>

Boys & Girls Clubs Foundation, Inc.				Consolidated				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminating	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 754,790	\$ 1,602,453	\$ 152,743	\$ 2,509,986	\$ -	\$ 926,629	\$ 1,602,453	\$ 152,743	\$ 2,681,825
-	1,603,815	2,392,413	3,996,228	-	187,035	1,773,713	2,392,413	4,353,161
-	-	-	-	-	928,417	151,000	-	1,079,417
-	103,647	-	103,647	-	-	126,642	-	126,642
-	-	-	-	(1,184,844)	-	-	-	-
-	-	-	-	-	227,908	-	-	227,908
754,790	3,309,915	2,545,156	6,609,861	(1,184,844)	2,269,989	3,653,808	2,545,156	8,468,953
-	-	-	-	-	13,183,978	2,365,811	-	15,549,789
-	560,072	-	560,072	-	-	560,072	-	560,072
8,385	-	100,000	108,385	-	8,385	-	100,000	108,385
62,500	-	-	62,500	-	227,482	-	-	227,482
<u>\$ 825,675</u>	<u>\$ 3,869,987</u>	<u>\$ 2,645,156</u>	<u>\$ 7,340,818</u>	<u>\$ (1,184,844)</u>	<u>\$ 15,689,834</u>	<u>\$ 6,579,691</u>	<u>\$ 2,645,156</u>	<u>\$ 24,914,681</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 582,087	\$ -	\$ -	\$ 582,087
1,184,844	-	-	1,184,844	(1,184,844)	-	-	-	-
-	-	-	-	-	122,768	-	-	122,768
-	-	-	-	-	449,169	-	-	449,169
1,184,844	-	-	1,184,844	(1,184,844)	1,154,024	-	-	1,154,024
-	-	-	-	-	610,683	-	-	610,683
1,184,844	-	-	1,184,844	(1,184,844)	1,764,707	-	-	1,764,707
(359,169)	-	-	(359,169)	-	13,925,127	-	-	13,925,127
-	3,869,987	-	3,869,987	-	-	6,579,691	-	6,579,691
-	-	2,645,156	2,645,156	-	-	-	2,645,156	2,645,156
(359,169)	3,869,987	2,645,156	6,155,974	-	13,925,127	6,579,691	2,645,156	23,149,974
<u>\$ 825,675</u>	<u>\$ 3,869,987</u>	<u>\$ 2,645,156</u>	<u>\$ 7,340,818</u>	<u>\$ (1,184,844)</u>	<u>\$ 15,689,834</u>	<u>\$ 6,579,691</u>	<u>\$ 2,645,156</u>	<u>\$ 24,914,681</u>

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

	Boys & Girls Clubs of Palm Beach County, Inc.		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions and grants	\$ 2,669,716	\$ 677,172	\$ 3,346,888
Federal, state and local government grants	4,331,104	-	4,331,104
Special events, net	2,307,177	-	2,307,177
Program revenue	442,424	-	442,424
Snack bar and vending, net	9,920	-	9,920
Donated facilities and goods	3,346,129	-	3,346,129
Miscellaneous	84,385	-	84,385
Net assets released from restrictions	510,913	(510,913)	-
Total support and revenue	<u>13,701,768</u>	<u>166,259</u>	<u>13,868,027</u>
Expenses:			
Program services:			
Character and leadership development	1,647,185	-	1,647,185
Education and career development	4,111,627	-	4,111,627
Sports, fitness and recreation	3,167,663	-	3,167,663
Health and life skills	1,267,065	-	1,267,065
Cultural arts	2,020,969	-	2,020,969
Total program services	12,214,509	-	12,214,509
Management and general	1,109,117	-	1,109,117
Fund raising	895,826	-	895,826
Total expenses	<u>14,219,452</u>	<u>-</u>	<u>14,219,452</u>
Increase (decrease) in net assets before non-operating activities	(517,684)	166,259	(351,425)
Transfer of assets	122,627	-	122,627
Net investment return	15,158	-	15,158
Net unrealized gain on beneficial interest in assets held by community foundation	-	-	-
Interest expense	(49,261)	-	(49,261)
Loss on disposal of property and equipment	-	-	-
Increase (decrease) in net assets	(429,160)	166,259	(262,901)
Net assets - beginning of year	<u>14,284,296</u>	<u>2,709,704</u>	<u>16,994,000</u>
Net assets - end of year	<u>\$ 13,855,136</u>	<u>\$ 2,875,963</u>	<u>\$ 16,731,099</u>

Boys & Girls Clubs Foundation, Inc.				Consolidated				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminating	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 4,143,323	\$ -	\$ 4,143,323	\$ -	\$ 2,669,716	\$ 4,820,495	\$ -	\$ 7,490,211
-	-	-	-	-	4,331,104	-	-	4,331,104
-	-	-	-	-	2,307,177	-	-	2,307,177
-	-	-	-	-	442,424	-	-	442,424
-	-	-	-	-	9,920	-	-	9,920
-	-	-	-	-	3,346,129	-	-	3,346,129
50,121	-	-	50,121	-	134,506	-	-	134,506
581,509	(581,509)	-	-	-	1,092,422	(1,092,422)	-	-
<u>631,630</u>	<u>3,561,814</u>	<u>-</u>	<u>4,193,444</u>	<u>-</u>	<u>14,333,398</u>	<u>3,728,073</u>	<u>-</u>	<u>18,061,471</u>
-	-	-	-	-	1,647,185	-	-	1,647,185
-	-	-	-	-	4,111,627	-	-	4,111,627
-	-	-	-	-	3,167,663	-	-	3,167,663
-	-	-	-	-	1,267,065	-	-	1,267,065
-	-	-	-	-	2,020,969	-	-	2,020,969
-	-	-	-	-	12,214,509	-	-	12,214,509
244,986	-	-	244,986	-	1,354,103	-	-	1,354,103
-	-	-	-	-	895,826	-	-	895,826
<u>244,986</u>	<u>-</u>	<u>-</u>	<u>244,986</u>	<u>-</u>	<u>14,464,438</u>	<u>-</u>	<u>-</u>	<u>14,464,438</u>
386,644	3,561,814	-	3,948,458	-	(131,040)	3,728,073	-	3,597,033
(147,627)	-	25,000	(122,627)	-	(25,000)	-	25,000	-
92,608	149,532	-	242,140	-	107,766	149,532	-	257,298
8,436	-	-	8,436	-	8,436	-	-	8,436
-	-	-	-	-	(49,261)	-	-	(49,261)
-	-	-	-	-	-	-	-	-
340,061	3,711,346	25,000	4,076,407	-	(89,099)	3,877,605	25,000	3,813,506
<u>(359,169)</u>	<u>3,869,987</u>	<u>2,645,156</u>	<u>6,155,974</u>	<u>-</u>	<u>13,925,127</u>	<u>6,579,691</u>	<u>2,645,156</u>	<u>23,149,974</u>
<u>\$ (19,108)</u>	<u>\$ 7,581,333</u>	<u>\$ 2,670,156</u>	<u>\$ 10,232,381</u>	<u>\$ -</u>	<u>\$ 13,836,028</u>	<u>\$ 10,457,296</u>	<u>\$ 2,670,156</u>	<u>\$ 26,963,480</u>

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

	Boys & Girls Clubs of Palm Beach County, Inc.		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions and grants	\$ 2,950,965	\$ 364,995	\$ 3,315,960
Federal, state and local government grants	3,699,815	-	3,699,815
Special events, net	2,185,187	-	2,185,187
Program revenue	497,088	-	497,088
Snack bar and vending, net	(1,783)	-	(1,783)
Donated facilities and goods	2,322,930	-	2,322,930
Miscellaneous	11,607	-	11,607
Net assets released from restrictions	<u>590,078</u>	<u>(590,078)</u>	<u>-</u>
Total support and revenue	<u>12,255,887</u>	<u>(225,083)</u>	<u>12,030,804</u>
Expenses:			
Program services:			
Character and leadership development	1,427,260	-	1,427,260
Education and career development	3,562,660	-	3,562,660
Sports, fitness and recreation	2,744,730	-	2,744,730
Health and life skills	1,097,892	-	1,097,892
Cultural arts	<u>1,751,138</u>	<u>-</u>	<u>1,751,138</u>
Total program services	10,583,680	-	10,583,680
Management and general	961,033	-	961,033
Fund raising	<u>776,219</u>	<u>-</u>	<u>776,219</u>
Total expenses	<u>12,320,932</u>	<u>-</u>	<u>12,320,932</u>
Increase (decrease) in net assets before non-operating activities	(65,045)	(225,083)	(290,128)
Transfer of assets	183,054	-	183,054
Net investment return	40,566	-	40,566
Net unrealized gain (loss) on beneficial interest in assets held by community foundation	-	-	-
Interest expense	(55,511)	-	(55,511)
Loss on disposal of property and equipment	<u>(169,604)</u>	<u>-</u>	<u>(169,604)</u>
Increase (decrease) in net assets	(66,540)	(225,083)	(291,623)
Net assets - beginning of year	<u>14,350,836</u>	<u>2,934,787</u>	<u>17,285,623</u>
Net assets - end of year	<u>\$ 14,284,296</u>	<u>\$ 2,709,704</u>	<u>\$ 16,994,000</u>

Boys & Girls Clubs Foundation, Inc.				Consolidated				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminating	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 93,153	\$ 924,973	\$ 38,550	\$ 1,056,676	\$ -	\$ 3,044,118	\$ 1,289,968	\$ 38,550	\$ 4,372,636
-	-	-	-	-	3,699,815	-	-	3,699,815
-	-	-	-	-	2,185,187	-	-	2,185,187
-	-	-	-	-	497,088	-	-	497,088
-	-	-	-	-	(1,783)	-	-	(1,783)
-	-	-	-	-	2,322,930	-	-	2,322,930
-	-	-	-	-	11,607	-	-	11,607
574,104	(574,104)	-	-	-	1,164,182	(1,164,182)	-	-
667,257	350,869	38,550	1,056,676	-	12,923,144	125,786	38,550	13,087,480
-	-	-	-	-	1,427,260	-	-	1,427,260
-	-	-	-	-	3,562,660	-	-	3,562,660
-	-	-	-	-	2,744,730	-	-	2,744,730
-	-	-	-	-	1,097,892	-	-	1,097,892
-	-	-	-	-	1,751,138	-	-	1,751,138
-	-	-	-	-	10,583,680	-	-	10,583,680
301,278	-	-	301,278	-	1,262,311	-	-	1,262,311
140,197	-	-	140,197	-	916,416	-	-	916,416
441,475	-	-	441,475	-	12,762,407	-	-	12,762,407
225,782	350,869	38,550	615,201	-	160,737	125,786	38,550	325,073
(183,054)	-	-	(183,054)	-	-	-	-	-
13,965	380,468	-	394,433	-	54,531	380,468	-	434,999
8,385	-	-	8,385	-	8,385	-	-	8,385
-	-	-	-	-	(55,511)	-	-	(55,511)
-	-	-	-	-	(169,604)	-	-	(169,604)
65,078	731,337	38,550	834,965	-	(1,462)	506,254	38,550	543,342
(424,247)	3,138,650	2,606,606	5,321,009	-	13,926,589	6,073,437	2,606,606	22,606,632
\$ (359,169)	\$ 3,869,987	\$ 2,645,156	\$ 6,155,974	\$ -	\$ 13,925,127	\$ 6,579,691	\$ 2,645,156	\$ 23,149,974

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 Boards of Directors
Boys & Girls Clubs of Palm Beach County, Inc.
and Affiliate

We have audited, in accordance with 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 consolidated financial statements of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliate (a nonprofit Organization) (the Organization), which comprise the consolidated statements of financial position as of and for the year ended September 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization’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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 Organization’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 Organization's consolidated 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Templeton & Company, LLP

West Palm Beach, Florida
January 29, 2019

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Boards of Directors
Boys & Girls Clubs of Palm Beach County, Inc.
and Affiliate

Report on Compliance for Each Major Federal Program

We have audited Boys & Girls Clubs of Palm Beach County, Inc. and Affiliate’s (the Organization) 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 Organization’s major federal programs for the year ended September 30, 2018. The Organization’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 the 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 Organization’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 Organization’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 Organization’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 September 30, 2018.



Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 Organization'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.

Templeton & Company, LLP

West Palm Beach, Florida
January 29, 2019

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018**

Part I – Summary of Auditor's Results:

Financial statement section:

Type of auditor's report issued	Unmodified
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Internal control over financial reporting:

Material weakness(es) identified	No
Significant deficiencies identified	None reported
Noncompliance material to financial statements noted	No

Federal awards section:

Dollar threshold used to determine Type A Program	\$750,000
Auditee qualified as low-risk auditee	Yes
Type of auditor's report on compliance for major programs	Unmodified

Internal control over major federal programs:

Material weaknesses identified	No
Significant deficiencies identified	None reported
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.287	Twenty-First Century Community Learning Centers

Part II – Financial Statement Findings and Questioned Costs

None.

Part III – Federal Award Findings and Questioned Costs

Current Period Findings and Questioned Costs

None.

Prior Year Findings and Questioned Costs

None.