

**BOYS & GIRLS CLUBS OF PALM BEACH
COUNTY, INC. AND AFFILIATE
REPORT ON AUDITS OF CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016**

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

Table of Contents

	<u>Page</u>
Independent auditor's report	1–2
Consolidated financial statements:	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of functional expenses	5–6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8–20
Supplementary information:	
Schedule of expenditures of federal awards	21
Notes to schedule of expenditures of federal awards	22
Consolidating information:	
Consolidating statements of financial position	23–26
Consolidating statements of activities	27–30
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 <i>Government Auditing Standards</i>	31–32
Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance	33–34
Schedule of findings and questioned costs	35

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, 2017 and 2016, 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, 2017 and 2016, 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.

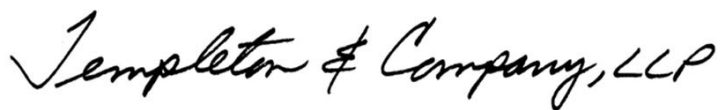
Other Matters

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 22, 2018 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 22, 2018

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,681,825	\$ 1,470,625
Portfolio investments	4,353,161	3,966,929
Accounts receivable, net	1,079,417	921,773
Current portion of unconditional promises to give, net	126,642	525,970
Prepaid expenses	227,908	393,000
Total current assets	8,468,953	7,278,297
Property and equipment, net	15,549,789	15,873,733
Unconditional promises to give, net of current portion	560,072	982,103
Beneficial interest in assets held by Community Foundation	108,385	100,000
Other assets	227,482	209,390
Total assets	\$ 24,914,681	\$ 24,443,523
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ -	\$ 80,051
Accounts payable and accrued expenses	582,087	659,286
Current portion of notes payable	122,768	87,201
Deferred revenue	449,169	419,205
Total current liabilities	1,154,024	1,245,743
Notes payable, net of current portion	610,683	591,148
Total liabilities	1,764,707	1,836,891
Net assets:		
Unrestricted	13,925,127	13,926,589
Temporarily restricted	6,579,691	6,073,437
Permanently restricted	2,645,156	2,606,606
Total net assets	23,149,974	22,606,632
Total liabilities and net assets	\$ 24,914,681	\$ 24,443,523

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, 2017				For the Year Ended September 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions and grants	\$ 3,044,118	\$ 1,289,968	\$ 38,550	\$ 4,372,636	\$ 2,711,882	\$ 1,564,392	\$ -	\$ 4,276,274
Federal, state and local government grants	3,699,815	-	-	3,699,815	3,616,711	-	-	3,616,711
Special events, net	2,185,187	-	-	2,185,187	1,983,789	-	-	1,983,789
Program revenue	497,088	-	-	497,088	559,720	-	-	559,720
Snack bar and vending, net	(1,783)	-	-	(1,783)	43,973	-	-	43,973
Donated facilities and goods	2,322,930	-	-	2,322,930	2,275,248	-	-	2,275,248
Miscellaneous	11,607	-	-	11,607	4,300	-	-	4,300
Net assets released from restrictions	1,164,182	(1,164,182)	-	-	718,903	(718,903)	-	-
Total support and revenue	12,923,144	125,786	38,550	13,087,480	11,914,526	845,489	-	12,760,015
Expenses:								
Program services:								
Character and leadership development	1,427,260	-	-	1,427,260	1,194,788	-	-	1,194,788
Education and career development	3,562,660	-	-	3,562,660	2,702,750	-	-	2,702,750
Sports, fitness and recreation	2,744,730	-	-	2,744,730	4,404,525	-	-	4,404,525
Health and life skills	1,097,892	-	-	1,097,892	1,181,788	-	-	1,181,788
Cultural arts	1,751,138	-	-	1,751,138	727,981	-	-	727,981
Total program services	10,583,680	-	-	10,583,680	10,211,832	-	-	10,211,832
Supporting services:								
Management and general	1,262,311	-	-	1,262,311	990,728	-	-	990,728
Fund raising	916,416	-	-	916,416	826,667	-	-	826,667
Total expenses	12,762,407	-	-	12,762,407	12,029,227	-	-	12,029,227
Increase (decrease) in net assets before non-operating activities	160,737	125,786	38,550	325,073	(114,701)	845,489	-	730,788
Net investment return	54,531	380,468	-	434,999	190,622	80,531	-	271,153
Net unrealized gain (loss) on beneficial interest in assets held by community foundation	8,385	-	-	8,385	(3,386)	-	-	(3,386)
Interest expense	(55,511)	-	-	(55,511)	(56,864)	-	-	(56,864)
Loss on disposal of property and equipment	(169,604)	-	-	(169,604)	-	-	-	-
Increase (decrease) in net assets	(1,462)	506,254	38,550	543,342	15,671	926,020	-	941,691
Net assets - beginning of year	13,926,589	6,073,437	2,606,606	22,606,632	13,910,918	5,147,417	2,606,606	21,664,941
Net assets - end of year	\$ 13,925,127	\$ 6,579,691	\$ 2,645,156	\$ 23,149,974	\$ 13,926,589	\$ 6,073,437	\$ 2,606,606	\$ 22,606,632

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	28,384
Core programs	61,758	154,158	118,766	47,506	75,772	121,288	33,587	612,836
Employee benefits	46,502	116,076	89,427	35,771	57,054	31,312	25,290	401,433
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	446,833
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	470,856
Rent, all other locations	68,972	172,166	132,639	53,056	84,624	46,442	37,511	595,409
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	633,655
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	11,683
Professional fees	13,758	34,343	26,458	10,583	16,880	38,732	7,482	148,237
Salaries and casual labor	641,127	1,600,352	1,232,937	493,175	786,614	514,422	348,678	5,617,304
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	18,425
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	201,685
Travel and lodging	54,787	136,756	105,359	42,144	67,219	46,408	29,796	482,470
Enhancement activities	2,849	7,111	5,478	2,191	3,495	1,918	1,549	24,592
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	\$ 1,427,260	\$ 3,562,660	\$ 2,744,730	\$ 1,097,892	\$ 1,751,138	\$ 1,262,311	\$ 916,416	\$ 12,762,407

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, 2016

	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	\$ 3,674	\$ 8,312	\$ 13,546	\$ 3,635	\$ 2,239	\$ 11,140	\$ 2,312	\$ 44,858
Conferences and staff training	4,766	10,780	17,568	4,714	2,904	3,408	2,998	47,138
Core programs	47,608	107,697	175,508	47,091	29,008	34,047	29,950	470,909
Employee benefits	37,997	85,953	140,073	37,583	23,151	39,015	23,904	387,676
Equipment leasing and maintenance	10,773	24,369	39,713	10,655	6,564	7,704	6,777	106,555
Insurance	51,180	115,776	188,674	50,624	31,184	36,601	32,196	506,235
Building maintenance	53,362	120,711	196,717	52,782	32,513	38,161	33,569	527,815
In-kind:								
Free use of facilities:								
Rent, Belle Glade schools	57,281	129,577	211,165	56,658	34,901	40,964	36,035	566,581
Rent, all other locations	59,224	133,971	218,326	58,579	36,085	42,353	37,257	585,795
Utilities	11,778	26,643	43,418	11,650	7,176	8,422	7,409	116,496
Food program	102,502	231,871	377,868	101,387	62,454	73,303	64,482	1,013,867
Supplies and office expenses	9,962	22,534	36,723	9,853	6,070	11,129	6,267	102,538
Permits and dues	3,443	7,789	12,694	3,406	2,098	2,462	2,166	34,058
Payroll taxes	58,954	133,362	217,333	58,313	35,921	42,160	37,087	583,130
Planning and resource development	791	1,789	2,915	782	482	566	498	7,823
Postage and shipping	1,411	3,192	5,202	1,396	860	1,009	888	13,958
Professional fees	18,303	41,403	67,472	18,102	11,152	56,664	11,514	224,610
Salaries and casual labor	519,496	1,175,159	1,915,093	513,843	316,527	439,239	326,805	5,206,162
Recruitment	3,759	8,503	13,856	3,718	2,290	2,688	2,364	37,178
Dues and subscriptions	2,861	6,472	10,547	2,830	1,743	2,316	1,800	28,569
Telephone	6,700	15,157	24,701	6,628	4,083	4,792	4,215	66,276
Utilities	18,380	41,577	67,755	18,180	11,199	13,144	11,562	181,797
Travel and lodging	48,267	109,186	177,935	47,742	29,409	34,878	30,364	477,781
Enhancement activities	1,457	3,295	5,370	1,441	888	1,042	916	14,409
Miscellaneous	2,771	6,271	10,216	2,740	1,687	1,981	1,740	27,406
Bad debt expense, net	-	-	-	-	-	-	75,050	75,050
Total expenses before depreciation	1,136,700	2,571,349	4,190,388	1,124,332	692,588	949,188	790,125	11,454,670
Depreciation	58,088	131,401	214,137	57,456	35,393	41,540	36,542	574,557
Total expenses	<u>\$ 1,194,788</u>	<u>\$ 2,702,750</u>	<u>\$ 4,404,525</u>	<u>\$ 1,181,788</u>	<u>\$ 727,981</u>	<u>\$ 990,728</u>	<u>\$ 826,667</u>	<u>\$ 12,029,227</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 543,342	\$ 941,691
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	623,743	574,557
Loss on disposal of property and equipment	169,604	-
Amortization of in-kind rent	39,948	37,053
Realized and unrealized gains on portfolio investments, net	(382,157)	(175,644)
Unrealized loss (gain) on beneficial interest in assets held by community foundation	(8,385)	3,386
(Increase) decrease in operating assets:		
Unconditional promises to give, net	821,359	(580,822)
Accounts receivable, net	(157,644)	(406,218)
Prepaid expenses	165,092	23,542
Other assets	(18,092)	(146,713)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(77,199)	160,249
Deferred revenue	29,964	(17,551)
Net cash provided by operating activities	<u>1,749,575</u>	<u>413,530</u>
Cash flows from investing activities:		
Purchases of portfolio investments, net	(4,075)	(67,346)
Purchases of property and equipment	<u>(351,069)</u>	<u>(20,816)</u>
Net cash used in investing activities	<u>(355,144)</u>	<u>(88,162)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(103,180)	(80,451)
Repayments on line of credit, net	<u>(80,051)</u>	<u>(146,056)</u>
Net cash used in financing activities	<u>(183,231)</u>	<u>(226,507)</u>
Net increase in cash and cash equivalents	1,211,200	98,861
Cash and cash equivalents, beginning of year	<u>1,470,625</u>	<u>1,371,764</u>
Cash and cash equivalents, end of year	<u>\$ 2,681,825</u>	<u>\$ 1,470,625</u>
Interest paid	<u>\$ 6,946</u>	<u>\$ 8,299</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

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 consolidated financial statements are prepared on the accrual basis of accounting and in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Net assets and revenue, expenses, gains and losses are classified as temporarily restricted, permanently restricted, or unrestricted based on the existence or absence, respectively, of donor-imposed restrictions.

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.

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

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 general or specific purposes.

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed 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. The expirations of temporary donor-imposed restrictions on net assets are reported as reclassifications to unrestricted net assets in the period in which the restriction expires. A restriction expires when the stipulated time period has elapsed and/or the stipulated purpose has been fulfilled. Unrestricted net assets are presently available for use by the Organization at the discretion of the Boards of Directors.

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 upon management's judgment, including such factors as prior collection history, type of contribution and nature of 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.

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

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.

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 is 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, 2017 and 2016:

	2017	2016
Use of recreational facilities, Belle Glade Schools	\$ 470,856	\$ 566,581
Use of recreational facilities, DeGeorge Club	156,804	156,804
Use of other facilities	235,500	311,916
Land under lease, Wellington (see Note 5)	105,053	106,947
Amortization of discount	49,500	2,637
Utilities	116,496	116,496
Food	1,188,721	1,013,867
	\$ 2,322,930	\$ 2,275,248

Cash and cash equivalents

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

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.

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

Portfolio investments, continued

Investment income and realized gains and losses on portfolio investments are recognized upon realization. Unrealized gains and losses are recognized 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.

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. Management provides an allowance based on past experience and adverse situations that may affect collectability. The allowance for doubtful accounts was \$30,437 as of September 30, 2017 and 2016.

Property and equipment

Property and equipment is stated at cost or, if donated, at approximate fair value at the date of donation. 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 expenses

The Organization allocates its expenses on a functional basis among its various program and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases as determined by management.

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

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

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 2017 or 2016. The Club and the Foundation are no longer subject to income tax examinations for years prior to September 30, 2014.

Special events

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

Accounting estimates

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

Reclassifications

Certain financial statement items have been reclassified from their 2016 presentation to conform with the 2017 presentation of the financial statements.

New accounting pronouncement

In August 2016, the FASB issued Accounting Standards Update (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

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

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, the organization 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.

Note 2 – Portfolio Investments

A summary of portfolio investments, by investment type, at September 30, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>
Marketable equity securities	\$ 2,388,629	\$ 2,445,314
Mutual funds	<u>1,964,532</u>	<u>1,521,615</u>
	<u>\$ 4,353,161</u>	<u>\$ 3,966,929</u>

Net investment return is comprised of the following for the years September 30, 2017 and 2016:

	<u>For the Year Ended September 30, 2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>
Total net investment return	<u>\$ 54,531</u>	<u>\$ 380,468</u>	<u>\$ -</u>	<u>\$ 434,999</u>

	<u>For the Year Ended September 30, 2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 8,505	\$ 60,386	\$ 26,618	\$ 95,509
Realized and unrealized gains (losses)	<u>160,901</u>	<u>20,145</u>	<u>(5,402)</u>	<u>175,644</u>
Subtotal	169,406	80,531	21,216	271,153
Transfers between classes	<u>21,216</u>	<u>-</u>	<u>(21,216)</u>	<u>-</u>
Total net investment return	<u>\$ 190,622</u>	<u>\$ 80,531</u>	<u>\$ -</u>	<u>\$ 271,153</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 \$30,508 and \$34,549 for the years ended September 30, 2017 and 2016, respectively.

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

Note 3 – Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, 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). Assets and liabilities with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of assets and liabilities included in Level 1 includes listed equities and listed debt instruments and derivatives.

Level 2 – Pricing inputs are other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models and other valuation methodologies. The Organization’s beneficial interest in assets held by community foundation uses level 2 inputs in the determination of its fair value.

Level 3 – Pricing inputs are unobservable and significant to the overall fair value measurement.

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, 2017 and 2016:

Category	September 30, 2017	
	Amount	Level
Marketable equity securities	\$ 2,388,629	Level 1
Mutual funds	<u>1,964,532</u>	Level 1
	<u>\$ 4,353,161</u>	
	September 30, 2016	
Category	Amount	Level
Marketable equity securities	\$ 2,445,314	Level 1
Mutual funds	<u>1,521,615</u>	Level 1
	<u>\$ 3,966,929</u>	

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

Note 4 – Unconditional Promises to Give

Unconditional promises to give as of September 30, 2017 and 2016 are detailed as follows:

	<u>2017</u>	<u>2016</u>
Capital campaign pledges	\$ 796,249	\$ 1,668,046
Free use of facilities pledge	<u>22,995</u>	<u>22,995</u>
Unconditional promises to give before unamortized discount and allowances for uncollectible pledges	819,244	1,691,041
Less: unamortized discount	<u>(65,728)</u>	<u>(116,165)</u>
Subtotal	753,516	1,574,876
Less: allowance for uncollectible pledges	<u>(66,802)</u>	<u>(66,803)</u>
Net unconditional promises to give	<u>\$ 686,714</u>	<u>\$ 1,508,073</u>
Current portion of unconditional promises to give	\$ 126,642	\$ 525,970
Non-current portion of unconditional promises to give	<u>560,072</u>	<u>982,103</u>
	<u>\$ 686,714</u>	<u>\$ 1,508,073</u>
Amounts due in:		
Less than one year	\$ 193,444	\$ 525,970
One to five years	625,800	1,034,800
After five years	<u>-</u>	<u>130,271</u>
Total	<u>\$ 819,244</u>	<u>\$ 1,691,041</u>

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

Note 5 – Property and Equipment

Property and equipment as of September 30, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 354,024	\$ 304,024
Land under lease, net	2,079,787	2,118,734
Building and leasehold improvements	15,551,378	15,968,499
Vehicles	1,231,560	902,375
Equipment and furniture	<u>844,664</u>	<u>686,716</u>
	20,061,413	19,980,348
Less: accumulated depreciation	<u>(4,511,624)</u>	<u>(4,106,615)</u>
Property and equipment, net	<u>\$ 15,549,789</u>	<u>\$ 15,873,733</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 5 – Property and Equipment, Continued

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 \$39,948 and \$37,053 for the years ended September 30, 2017 and 2016, 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 (5.25% at September 30, 2017) and expires in October 2018. There were no outstanding borrowings under the line of credit at September 30, 2017. The balance outstanding was \$80,051 as of September 30, 2016.

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 (\$555,961 at September 30, 2017).

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, 2017. The outstanding balance on these loans was \$177,490 as of September 30, 2017.

Principal payments due on these notes in years subsequent to September 30, 2017 are as follows:

Year Ending September 30,	Amount
2018	\$ 122,768
2019	130,455
2020	125,099
2021	129,677
2022	118,582
Thereafter	<u>106,870</u>
	<u>\$ 733,451</u>

Note 8 – Special Events

Net special events revenue is comprised of the following for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Event proceeds	\$ 3,204,750	\$ 2,933,663
Direct event expenses	<u>1,019,563</u>	<u>949,874</u>
Net	<u>\$ 2,185,187</u>	<u>\$ 1,983,789</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

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 Internal Revenue Code. Under the plan, employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits.

The Organization may make a safe harbor non-elective contribution in an amount equal to 3% of the eligible employee's compensation, which will be allocated to all eligible employees. The Organization may also make profit-sharing contributions at its discretion which will be allocated as defined by the plan among all eligible employees. The Organization's contributions totaled \$89,026 and \$66,116 for the years ended September 30, 2017 and 2016, respectively.

Note 10 – Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of September 30, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Club:		
United Way allocation for next year	\$ 151,000	\$ 150,000
Future free use of facilities	22,995	22,995
Warsaw Scholarship Fund	140,550	140,550
West Palm Beach land grant	286,024	286,024
Land under lease	2,079,787	2,118,734
Belle Glade operations	29,348	216,484
Foundation:		
Capital campaigns	663,619	1,485,078
Club buildings	<u>3,206,368</u>	<u>1,653,572</u>
	<u>\$ 6,579,691</u>	<u>\$ 6,073,437</u>

Permanently restricted net assets as of September 30, 2017 and 2016 represent the following:

	<u>2017</u>	<u>2016</u>
Foundation:		
DeGeorge Club	\$ 2,545,156	\$ 2,506,606
Beneficial interest in assets held by Community Foundation	<u>100,000</u>	<u>100,000</u>
	<u>\$ 2,645,156</u>	<u>\$ 2,606,606</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

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, 2017 and 2016, as follows:

	<u>2017</u>	<u>2016</u>
Club:		
Time restrictions expired on United Way allocations	\$ 341,000	\$ 340,000
Time restrictions expired on free use of facilities	22,995	39,363
Scholarships and enterprise club	-	1,208
Land under lease	38,920	37,053
Belle Glade operations	187,163	22,331
Foundation:		
Purpose and time restrictions met for:		
Capital campaign	329,295	24,220
Club buildings	<u>244,809</u>	<u>254,728</u>
	<u>\$ 1,164,182</u>	<u>\$ 718,903</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.

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 primarily consisting of equities and fixed income securities to achieve its long-term return objectives within prudent risk constraints.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 12 – Endowment, Continued

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.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor 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, 2016 as a result of market conditions. The aggregate deficiencies of this nature for all donor-restricted permanently restricted endowment funds totaled \$4,157 as of September 30, 2016. There were no such deficiencies as of September 30, 2017.

Changes in endowment net assets for the years ended September 30, 2017 and 2016 are presented as follows:

	For the Year Ended September 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of October 1, 2016	\$ (4,157)	\$ -	\$ 2,606,606	\$ 2,602,449
Investment return:				
Investment income	-	-	23,806	23,806
Net appreciation (realized and unrealized)	-	-	258,910	258,910
Total investment return	-	-	282,716	282,716
Contribution	-	-	38,550	38,550
Transfers of endowment earnings	4,157	278,559	(282,716)	-
Balance as of September 30, 2017	\$ -	\$ 278,559	\$ 2,645,156	\$ 2,923,715
	For the Year Ended September 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of October 1, 2015	\$ (25,373)	\$ -	\$ 2,606,606	\$ 2,581,233
Investment return:				
Investment income	-	-	26,618	26,618
Net appreciation (realized and unrealized)	-	-	(5,402)	(5,402)
Total investment return	-	-	21,216	21,216
Transfer of endowment earnings	21,216	-	(21,216)	-
Balance as of September 30, 2016	\$ (4,157)	\$ -	\$ 2,606,606	\$ 2,602,449

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 13 – Legal Proceedings

The Organization is a party to litigation and other claims in the ordinary course of business. 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. Management believes that the ultimate outcome of these matters will not materially affect the consolidated financial position of the Organization.

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, 2017 and 2016 was \$1,066,265 and \$1,152,376, respectively.

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 9% 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 - Supplemental Cash Flow Disclosures

Non-cash investing and financing activities include the following for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Assumption of note payable for vehicle acquired	<u>\$ 158,282</u>	<u>\$ -</u>

Note 17 – Subsequent Events

Management evaluated the Organization's activities through January 22, 2018, 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, 2017

<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	1/1/17-12/31/17	16.726	OJP 2015	<u>\$ 71,655</u>
U.S. Department of Education:				
Passed through:				
Florida Department of Education				
Twenty-first Century Community Learning Centers	8/1/16-7/31/17	84.287	7PCC1	322,052
	8/1/16-7/31/17	84.287	7PPC2	456,946
	8/1/16-7/31/17	84.287	7PPC3	91,683
	8/1/16-7/31/17	84.287	7PPC4	213,647
	8/1/16-7/31/17	84.287	7PPC5	102,672
	8/1/16-7/31/17	84.287	7PPC6	63,052
	8/1/16-7/31/17	84.287	7PPC7	432,477
	8/1/16-7/31/17	84.287	7PCC8	110,127
	8/1/16-7/31/17	84.287	7PCC9	145,477
	8/1/17-7/31/18	84.287	8PPC1	32,686
	8/1/17-7/31/18	84.287	8PPC2	38,880
	8/1/17-7/31/18	84.287	8PPC3	9,020
	8/1/17-7/31/18	84.287	8PPC4	21,127
	8/1/17-7/31/18	84.287	8PPC5	11,189
	8/1/17-7/31/18	84.287	8PPC6	5,739
	8/1/17-7/31/18	84.287	8PPC7	46,091
	8/1/17-7/31/18	84.287	8PPC8	25,985
	8/1/17-7/31/18	84.287	8PPC9	18,987
Total Twenty-first Century Community Learning Centers				<u>2,147,837</u>
Total expenditures of federal awards				<u>\$ 2,219,492</u>

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 grant 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, 2017 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* (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. 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.

Note 2 – Subrecipients

None of the federal expenditures presented in the accompanying schedule of expenditures of federal awards was provided to subrecipients.

CONSOLIDATING INFORMATION

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:			
Line of credit	\$ -	\$ -	\$ -
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 FINANCIAL POSITION

September 30, 2016

	Boys and Girls Clubs of Palm Beach County, Inc.		
	Unrestricted	Temporarily Restricted	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 99,101	\$ 41,321	\$ 140,422
Portfolio investments	-	315,713	315,713
Accounts receivable, net	771,773	150,000	921,773
Current portion of unconditional promises to give, net	-	22,995	22,995
Due from the Foundation	1,255,678	-	1,255,678
Prepaid expenses	393,000	-	393,000
Total current assets	2,519,552	530,029	3,049,581
Property and equipment, net	13,468,975	2,404,758	15,873,733
Unconditional promises to give, net of current portion	-	-	-
Beneficial interest in assets held by Community Foundation	-	-	-
Other assets	199,200	-	199,200
Total assets	\$ 16,187,727	\$ 2,934,787	\$ 19,122,514
LIABILITIES AND NET ASSETS			
Current liabilities:			
Line of credit	\$ 80,051	\$ -	\$ 80,051
Accounts payable and accrued expenses	659,286	-	659,286
Due to the Clubs	-	-	-
Current portion of notes payable	87,201	-	87,201
Deferred revenue	419,205	-	419,205
Total current liabilities	1,245,743	-	1,245,743
Notes payable, net of current portion	591,148	-	591,148
Total liabilities	1,836,891	-	1,836,891
Net assets:			
Unrestricted	14,350,836	-	14,350,836
Temporarily restricted	-	2,934,787	2,934,787
Permanently restricted	-	-	-
Total net assets	14,350,836	2,934,787	17,285,623
Total liabilities and net assets	\$ 16,187,727	\$ 2,934,787	\$ 19,122,514

Boys & Girls Clubs Foundation, Inc.				Consolidated				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminating	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 797,405	\$ 437,568	\$ 95,230	\$ 1,330,203	\$ -	\$ 896,506	\$ 478,889	\$ 95,230	\$ 1,470,625
24,602	1,216,004	2,410,610	3,651,216	-	24,602	1,531,717	2,410,610	3,966,929
-	-	-	-	-	771,773	150,000	-	921,773
-	502,975	-	502,975	-	-	525,970	-	525,970
-	-	-	-	(1,255,678)	-	-	-	-
-	-	-	-	-	393,000	-	-	393,000
822,007	2,156,547	2,505,840	5,484,394	(1,255,678)	2,085,881	2,686,576	2,505,840	7,278,297
-	-	-	-	-	13,468,975	2,404,758	-	15,873,733
-	982,103	-	982,103	-	-	982,103	-	982,103
-	-	100,000	100,000	-	-	-	100,000	100,000
9,424	-	766	10,190	-	208,624	-	766	209,390
<u>\$ 831,431</u>	<u>\$ 3,138,650</u>	<u>\$ 2,606,606</u>	<u>\$ 6,576,687</u>	<u>\$ (1,255,678)</u>	<u>\$ 15,763,480</u>	<u>\$ 6,073,437</u>	<u>\$ 2,606,606</u>	<u>\$ 24,443,523</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,051	\$ -	\$ -	\$ 80,051
-	-	-	-	-	659,286	-	-	659,286
1,255,678	-	-	1,255,678	(1,255,678)	-	-	-	-
-	-	-	-	-	87,201	-	-	87,201
-	-	-	-	-	419,205	-	-	419,205
1,255,678	-	-	1,255,678	(1,255,678)	1,245,743	-	-	1,245,743
-	-	-	-	-	591,148	-	-	591,148
1,255,678	-	-	1,255,678	(1,255,678)	1,836,891	-	-	1,836,891
(424,247)	-	-	(424,247)	-	13,926,589	-	-	13,926,589
-	3,138,650	-	3,138,650	-	-	6,073,437	-	6,073,437
-	-	2,606,606	2,606,606	-	-	-	2,606,606	2,606,606
<u>(424,247)</u>	<u>3,138,650</u>	<u>2,606,606</u>	<u>5,321,009</u>	<u>-</u>	<u>13,926,589</u>	<u>6,073,437</u>	<u>2,606,606</u>	<u>22,606,632</u>
<u>\$ 831,431</u>	<u>\$ 3,138,650</u>	<u>\$ 2,606,606</u>	<u>\$ 6,576,687</u>	<u>\$ (1,255,678)</u>	<u>\$ 15,763,480</u>	<u>\$ 6,073,437</u>	<u>\$ 2,606,606</u>	<u>\$ 24,443,523</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	590,078	(590,078)	-
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 (to) from entities	183,054	-	183,054
Net investment return	40,566	-	40,566
Net unrealized gain 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 period	<u>14,350,836</u>	<u>2,934,787</u>	<u>17,285,623</u>
Net assets - end of period	<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

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

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

	Boys & Girls Clubs of Palm Beach County, Inc.		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions and grants	\$ 2,711,882	\$ 456,628	\$ 3,168,510
Federal, state and local government grants	3,616,711	-	3,616,711
Special events, net	1,983,789	-	1,983,789
Program revenue	559,720	-	559,720
Snack bar and vending, net	43,973	-	43,973
Donated facilities and goods	2,275,248	-	2,275,248
Miscellaneous	4,300	-	4,300
Net assets released from restrictions	<u>439,955</u>	<u>(439,955)</u>	<u>-</u>
Total support and revenue	<u>11,635,578</u>	<u>16,673</u>	<u>11,652,251</u>
Expenses:			
Program services:			
Character and leadership development	1,194,788	-	1,194,788
Education and career development	2,702,750	-	2,702,750
Sports, fitness and recreation	4,404,525	-	4,404,525
Health and life skills	1,181,788	-	1,181,788
Cultural arts	<u>727,981</u>	<u>-</u>	<u>727,981</u>
Total program services	10,211,832	-	10,211,832
Management and general	854,433	-	854,433
Fund raising	<u>751,617</u>	<u>-</u>	<u>751,617</u>
Total expenses	<u>11,817,882</u>	<u>-</u>	<u>11,817,882</u>
Increase (decrease) in net assets before non-operating activities	(182,304)	16,673	(165,631)
Transfer of assets (to) from entities	178,741	-	178,741
Net investment return	23,335	-	23,335
Net unrealized gain (loss) on beneficial interest in assets held by community foundation	-	-	-
Interest expense	<u>(56,864)</u>	<u>-</u>	<u>(56,864)</u>
Increase (decrease) in net assets	(37,092)	16,673	(20,419)
Net assets - beginning of period	<u>14,387,928</u>	<u>2,918,114</u>	<u>17,306,042</u>
Net assets - end of period	<u>\$ 14,350,836</u>	<u>\$ 2,934,787</u>	<u>\$ 17,285,623</u>

Boys & Girls Clubs Foundation, Inc.				Consolidated				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminating	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 1,107,764	\$ -	\$ 1,107,764	\$ -	\$ 2,711,882	\$ 1,564,392	\$ -	\$ 4,276,274
-	-	-	-	-	3,616,711	-	-	3,616,711
-	-	-	-	-	1,983,789	-	-	1,983,789
-	-	-	-	-	559,720	-	-	559,720
-	-	-	-	-	43,973	-	-	43,973
-	-	-	-	-	2,275,248	-	-	2,275,248
-	-	-	-	-	4,300	-	-	4,300
278,948	(278,948)	-	-	-	718,903	(718,903)	-	-
278,948	828,816	-	1,107,764	-	11,914,526	845,489	-	12,760,015
-	-	-	-	-	1,194,788	-	-	1,194,788
-	-	-	-	-	2,702,750	-	-	2,702,750
-	-	-	-	-	4,404,525	-	-	4,404,525
-	-	-	-	-	1,181,788	-	-	1,181,788
-	-	-	-	-	727,981	-	-	727,981
-	-	-	-	-	10,211,832	-	-	10,211,832
136,295	-	-	136,295	-	990,728	-	-	990,728
75,050	-	-	75,050	-	826,667	-	-	826,667
211,345	-	-	211,345	-	12,029,227	-	-	12,029,227
67,603	828,816	-	896,419	-	(114,701)	845,489	-	730,788
(178,741)	-	-	(178,741)	-	-	-	-	-
167,287	80,531	-	247,818	-	190,622	80,531	-	271,153
(3,386)	-	-	(3,386)	-	(3,386)	-	-	(3,386)
-	-	-	-	-	(56,864)	-	-	(56,864)
52,763	909,347	-	962,110	-	15,671	926,020	-	941,691
(477,010)	2,229,303	2,606,606	4,358,899	-	13,910,918	5,147,417	2,606,606	21,664,941
\$ (424,247)	\$ 3,138,650	\$ 2,606,606	\$ 5,321,009	\$ -	\$ 13,926,589	\$ 6,073,437	\$ 2,606,606	\$ 22,606,632

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, 2017, 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 22, 2018.

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 22, 2018

**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, 2017. 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, 2017.



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 22, 2018

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2017**

Part I – Summary of Auditor's Results:

Financial statement section:

Type of auditor's report issued Unmodified

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.