

**BOYS & GIRLS CLUBS OF PALM BEACH
COUNTY, INC. AND AFFILIATES**
**REPORT ON AUDITS OF CONSOLIDATED FINANCIAL
STATEMENTS**
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018

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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliates (a non-profit Organization) (the Organization) which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, 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 Affiliates as of September 30, 2019 and 2018, 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.

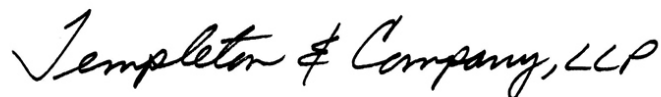
Other Matters

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 20, 2020, 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 the effectiveness of the Organization's 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 20, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,861,378	\$ 807,051
Restricted cash	5,440,813	-
Investments	7,634,312	9,654,682
Grants and accounts receivable, net	1,484,787	1,130,896
Current portion of unconditional promises to give, net	201,730	540,452
Prepaid expenses	<u>610,370</u>	<u>288,396</u>
Total current assets	17,233,390	12,421,477
Property and equipment, net	16,660,778	15,181,075
Unconditional promises to give, net of current portion	749,185	897,447
Note receivable - New Market Tax Credit	5,719,080	-
Beneficial interest in assets held by Community Foundation	142,230	141,821
Other assets	<u>135,947</u>	<u>204,204</u>
Total assets	<u>\$ 40,640,610</u>	<u>\$ 28,846,024</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 598,779	\$ 578,349
Current portion of long-term debt	219,637	130,490
Deferred revenue	<u>1,354,152</u>	<u>690,984</u>
Total current liabilities	2,172,568	1,399,823
Long-term debt, net	<u>7,930,250</u>	<u>482,721</u>
Total liabilities	<u>10,102,818</u>	<u>1,882,544</u>
Net assets:		
Without donor restrictions	13,850,099	13,836,028
With donor restrictions	<u>16,687,693</u>	<u>13,127,452</u>
Total net assets	<u>30,537,792</u>	<u>26,963,480</u>
Total liabilities and net assets	<u>\$ 40,640,610</u>	<u>\$ 28,846,024</u>

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2019 and 2018**

	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions and grants	\$ 3,645,320	\$ 4,129,973	\$ 7,775,293	\$ 2,669,716	\$ 4,820,495	\$ 7,490,211
Federal, state and local government grants	4,722,095	-	4,722,095	4,331,104	-	4,331,104
Special events, net of direct expenses	2,783,231	-	2,783,231	2,307,177	-	2,307,177
Program revenue	375,616	-	375,616	442,424	-	442,424
Snack bar and vending, net	13,711	-	13,711	9,920	-	9,920
Donated facilities and goods	2,700,580	-	2,700,580	3,346,129	-	3,346,129
Other	49,678	24,000	73,678	134,506	-	134,506
Net assets released from restrictions	<u>2,254,347</u>	<u>(2,254,347)</u>	<u>-</u>	<u>1,092,422</u>	<u>(1,092,422)</u>	<u>-</u>
Total support and revenue	<u>16,544,578</u>	<u>1,899,626</u>	<u>18,444,204</u>	<u>14,333,398</u>	<u>3,728,073</u>	<u>18,061,471</u>
Expenses:						
Program services:						
Character and leadership development	1,700,375	-	1,700,375	1,647,185	-	1,647,185
Education and career development	4,244,397	-	4,244,397	4,111,627	-	4,111,627
Sports, fitness and recreation	3,269,952	-	3,269,952	3,167,663	-	3,167,663
Health and life skills	1,307,978	-	1,307,978	1,267,065	-	1,267,065
Cultural arts	<u>2,086,246</u>	<u>-</u>	<u>2,086,246</u>	<u>2,020,969</u>	<u>-</u>	<u>2,020,969</u>
Total program services	12,608,949	-	12,608,949	12,214,509	-	12,214,509
Supporting services:						
Management and general	1,348,972	-	1,348,972	1,354,103	-	1,354,103
Fund raising	<u>924,753</u>	<u>-</u>	<u>924,753</u>	<u>895,826</u>	<u>-</u>	<u>895,826</u>
Total expenses	<u>14,882,674</u>	<u>-</u>	<u>14,882,674</u>	<u>14,464,438</u>	<u>-</u>	<u>14,464,438</u>
Increase (decrease) in net assets before non-operating activities	1,661,904	1,899,626	3,561,530	(131,040)	3,728,073	3,597,033
Transfer of assets	(1,660,615)	1,660,615	-	(25,000)	25,000	-
Net investment return	61,395	-	61,395	107,766	149,532	257,298
Net unrealized gain on beneficial interest in assets held by Community Foundation	409	-	409	8,436	-	8,436
Interest expense	<u>(49,022)</u>	<u>-</u>	<u>(49,022)</u>	<u>(49,261)</u>	<u>-</u>	<u>(49,261)</u>
Increase (decrease) in net assets	14,071	3,560,241	3,574,312	(89,099)	3,902,605	3,813,506
Net assets - beginning of year	<u>13,836,028</u>	<u>13,127,452</u>	<u>26,963,480</u>	<u>13,925,127</u>	<u>9,224,847</u>	<u>23,149,974</u>
Net assets - end of year	<u>\$ 13,850,099</u>	<u>\$ 16,687,693</u>	<u>\$ 30,537,792</u>	<u>\$ 13,836,028</u>	<u>\$ 13,127,452</u>	<u>\$ 26,963,480</u>

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2019

	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	\$ 2,554	\$ 6,378	\$ 4,914	\$ 1,966	\$ 3,135	\$ 1,721	\$ 1,390	\$ 22,058
Conferences and staff training	5,568	13,898	10,707	4,283	6,831	3,749	3,028	48,064
Core programs	95,647	238,748	183,936	73,574	117,351	161,862	52,018	923,136
Employee benefits	62,046	154,875	119,318	47,727	76,125	41,778	33,744	535,613
Equipment leasing and maintenance	22,438	56,009	43,150	17,260	27,530	15,109	12,203	193,699
Insurance	45,962	114,729	88,389	35,356	56,392	30,948	24,997	396,773
Building maintenance	60,002	149,775	115,389	46,156	73,618	40,402	32,632	517,974
In-kind:								
Free use of facilities:								
Rent, Belle Glade schools	57,266	142,946	110,128	44,051	70,261	38,560	31,144	494,356
Rent, all other locations	66,331	165,573	127,561	51,024	81,403	44,664	36,076	572,632
Utilities	14,005	34,959	26,933	10,773	17,183	9,430	7,617	120,900
Food program	181,365	452,714	348,779	139,511	222,521	122,120	98,636	1,565,646
Supplies and office expenses	12,028	30,024	23,131	9,252	14,757	7,317	6,541	103,050
Permits and dues	5,584	13,940	10,739	4,296	6,852	3,760	3,037	48,208
Payroll taxes	74,075	184,902	142,451	56,980	90,884	49,877	40,286	639,455
Planning and resource development	1,975	4,930	3,798	1,519	2,423	1,330	1,074	17,049
Postage and shipping	700	1,747	1,346	538	859	471	381	6,042
Professional fees	11,791	29,433	22,676	9,070	14,467	7,940	6,413	101,790
Salaries and casual labor	819,601	2,045,851	1,576,156	630,463	1,005,588	553,371	445,742	7,076,772
Recruitment	5,307	13,247	10,206	4,082	6,511	3,573	2,886	45,812
Dues and subscriptions	1,657	4,137	3,187	1,275	2,033	1,116	901	14,306
Telephone	6,190	15,450	11,903	4,761	7,594	4,168	3,366	53,432
Utilities	22,261	55,566	42,809	17,124	27,312	14,989	12,106	192,167
Travel and lodging	46,541	116,172	89,501	35,800	57,102	9,393	25,311	379,820
Enhancement activities	4,007	10,002	7,706	3,082	4,916	2,698	2,179	34,590
Miscellaneous	2,687	6,709	5,168	2,067	3,297	1,900	1,461	23,289
Bad debt expense (recoveries), net	(579)	(1,446)	(1,114)	(446)	(711)	127,327	(315)	122,716
Total expenses before depreciation	1,627,009	4,061,268	3,128,867	1,251,544	1,996,234	1,299,573	884,854	14,249,349
Depreciation	73,365	183,129	141,085	56,434	90,012	49,399	39,899	633,325
Total expenses	\$ 1,700,375	\$ 4,244,397	\$ 3,269,952	\$ 1,307,978	\$ 2,086,246	\$ 1,348,972	\$ 924,753	\$ 14,882,674

See accompanying notes to consolidated financial statements.

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

**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	<u>\$ 1,647,185</u>	<u>\$ 4,111,627</u>	<u>\$ 3,167,663</u>	<u>\$ 1,267,065</u>	<u>\$ 2,020,969</u>	<u>\$ 1,354,103</u>	<u>\$ 895,826</u>	<u>\$ 14,464,438</u>

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,574,312	\$ 3,813,506
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	633,325	628,285
Amortization of in-kind rent	43,035	40,940
Realized and unrealized gains on investments, net	(211,803)	(124,224)
Unrealized gain on beneficial interest in assets held by Community Foundation	(409)	(8,436)
Contributions received for long-term investment	(3,967,069)	(3,545,244)
(Increase) decrease in operating assets:		
Unconditional promises to give, net	443,951	(792,125)
Grants and accounts receivable, net	(353,891)	(51,479)
Prepaid expenses	(321,974)	(60,488)
Other assets	68,257	23,278
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	20,430	(3,738)
Deferred revenue	<u>663,166</u>	<u>241,815</u>
Net cash provided by operating activities	<u>591,330</u>	<u>162,090</u>
Cash flows from investing activities:		
Sales (purchases) of investments, net	2,232,173	(4,781,634)
Purchases of property and equipment	(1,918,378)	(259,571)
Advance on note receivable - New Market Tax Credit	<u>(5,719,080)</u>	<u>-</u>
Net cash used in investing activities	<u>(5,405,285)</u>	<u>(5,041,205)</u>
Cash flows from financing activities:		
Contributions received for long-term investment	3,967,069	3,545,244
Principal payments on long-term debt	(141,045)	(120,240)
Proceeds from New Market Tax Credit loan	8,022,000	-
Loan costs paid	<u>(538,929)</u>	<u>-</u>
Net cash provided by financing activities	<u>11,309,095</u>	<u>3,425,004</u>
Net increase (decrease) in cash, restricted cash, and cash equivalents	6,495,140	(1,454,111)
Cash, restricted cash, and cash equivalents, beginning of year	<u>807,051</u>	<u>2,261,162</u>
Cash, restricted cash, and cash equivalents, end of year	<u>\$ 7,302,191</u>	<u>\$ 807,051</u>
Interest paid	<u>\$ 7,360</u>	<u>\$ 7,110</u>
Assumption of note payable for equipment acquisition	<u>\$ 194,650</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

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

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 Affiliates, Boys & Girls Clubs of Palm Beach County 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 Boys and Girls Clubs of Palm Beach County Leverage Lender, Inc. (Leverage Lender) is a Florida not-for-profit organization which provides for New Market Tax Credit (NMTC) financing (see Note 15). The Organization encompasses both the Club, Foundation and Leverage Lender.

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.

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

Net assets

The consolidated financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purpose specified in the corporate documents and its application for tax-exempt status, and any limits resulting from contractual arrangements with creditors or others that are entered into in the course of operations.

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

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

Net assets, continued

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use, as are its donor-imposed endowment funds.

When a donor's restriction is satisfied either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by releasing the net assets from net assets with donor restrictions to net assets without donor restrictions.

Net assets restricted for acquisition of property or equipment (or less commonly the contribution of those assets directly) are reported as net assets with donor restrictions until the specified assets are placed in service by the Organization, unless the donor provided more specific directions about the period of its use.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the consolidated statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Contributions

Contributions, 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 receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donor indicates that payment is merely postponed.

The Organization reports non-cash contributions as net assets without donor restrictions 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 donor restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES
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 are provided. 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, and local agencies, as well as private foundations 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 goods are recorded at their fair value on the date donated and are reflected as contributions in the accompanying consolidated statement of activities. Donated facilities represent the excess of the fair rental value of the building or land leases over below market rent payments due under lease agreements. 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, 2019 and 2018:

	2019	2018
Use of recreational facilities, Belle Glade Schools	\$ 494,356	\$ 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 7)	94,475	103,060
Amortization of discount	32,900	26,505
Utilities	120,899	116,496
Food	1,565,646	2,236,908
	\$ 2,700,580	\$ 3,346,129

Cash and cash equivalents

For purpose of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted cash

New Market Tax Credit (NMTC) restricted cash are funds set aside for new construction in progress and certain operating expenses of the NMTC. The balance of restricted cash at September 30, 2019 was \$5,440,813.

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

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

Statement of cash flows

Cash and cash equivalents includes demand deposits and money market accounts. For purposes of the consolidated statements of cash flows, all investment instruments without donor restrictions with original maturities of three months or less are considered cash equivalents.

The following table provides a reconciliation of cash and restricted cash reported within the consolidated financial position of September 30, 2019 and 2018 that sum to the total in the consolidated statements of cash flows:

	2019	2018
Cash and cash equivalents	\$ 1,861,378	\$ 807,051
Restricted cash:		
NMTC restricted cash	5,440,813	-
	\$ 7,302,191	\$ 807,051

Restricted cash includes demand deposits and money market accounts held in escrow required under the NMTC loan agreement (see Note 9) as well as separate accounts with other restrictions.

Note receivable – New Market Tax Credit (NMTC)

The note receivable – NMTC is collateralized by membership interests related to the NMTC transaction (see Notes 9 and 15) and is stated at the principal amount. The Organization has one class of financing receivable from a highly credible financial institution. Management assesses the credit quality of the NMTC note based on indicators such as collateralization and collection experience. As of September 30, 2019, no allowance has been established.

Investments

Investments include investments in money market funds, mutual funds, exchange traded funds, common stocks, alternative investments, and corporate bonds. Investments are measured at fair value. Investments received as contributions are recorded at quoted market prices or estimated fair value on the date of receipt.

Realized and unrealized gains and losses on investments are included with investment income earned during the period and are presented as net investment return on the accompanying consolidated statements of activities. Investment expenses are netted against investment income. Net investment returns are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

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

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

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

Grants and accounts receivable

Grants receivable represent amounts owed to the Organization from federal, state and local grants for services rendered under contractual obligations and grants from Boys and Girls Clubs of America, corporations and foundations. All outstanding grants receivable are expected to be collected within one year and are considered collectible.

An account receivable is recorded when the Organization has a right to consideration in exchange for goods or services that the Organization has provided. 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 \$15,000 and \$20,000 at September 30, 2019 and 2018, respectively.

Property and equipment

Property and equipment is stated at cost when purchased or, if acquired by contribution, at the estimated fair value on the date received. The Organization's policy is to capitalize assets greater than \$5,000 at acquisition. The Organization provides for depreciation on property and equipment over the estimated useful lives of the related assets using the straight-line method.

The 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

Income taxes

The Organization has 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 consolidated financial statements. The Organization is required to operate in conformity with the provisions of the IRC to maintain its 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 2019 or 2018. The Organization is no longer subject to income tax examinations for fiscal years prior to 2016.

Fair value of financial instruments

The consolidated financial statements provide for fair value disclosures for financial instruments for which it is practicable to estimate fair value. Financial instruments include cash and cash equivalents, restricted cash, unconditional promises to give, due in one year or less, grants and accounts receivable, and accounts payable and accrued expenses, and are stated at carrying value at year-end, which approximates their fair values due to the short-term nature of these instruments. Other financial instruments at year-end include investments and the non-current portion of unconditional promises to give, which are stated at fair value.

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

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

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the consolidated financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Functional allocation of expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services in the accompanying consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Expenses that can be identified with a specific program or support service are charged to that program or support service.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Occupancy, depreciation, insurance, and maintenance costs are allocated using a percentage basis most appropriate to the particular cost being allocated.
- Certain salaries, benefits and payroll taxes (costs that benefit all programs and cannot be identified to a specific program) are allocated to programs, and support services based on time studies and budgeted allocations.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activity that include fundraising. Additionally, advertising costs are expensed as incurred.

Change in accounting principles

ASU 2016-14

The Organization implemented FASB Accounting Standard Update (ASU) 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the consolidated financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions;
- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The consolidated financial statements include a disclosure about liquidity and availability of resources (Note 2).

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

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

Change in accounting principles, continued

ASU 2016-14, continued

The changes have the following effect on net assets at October 1, 2017.

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 13,925,127	\$ -
Temporarily restricted net assets	6,579,691	-
Permanently restricted net assets	2,645,156	-
Net assets without donor restrictions	-	13,925,127
Net assets with donor restrictions	<u>-</u>	<u>9,224,847</u>
Total	<u>\$ 23,149,974</u>	<u>\$ 23,149,974</u>

ASU 2016-18

ASU 2016-18, *Statements of Cash Flows (Topic 230): Restricted Cash*, requires that restricted cash and cash equivalents be included in the beginning and ending cash in the Organization’s statements of cash flows. The adoption of ASU 2016-18 resulted in the reclassification of certain items related to restricted cash in the consolidated statement of cash flows for the year ended September 30, 2018.

New accounting pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU introduces a comprehensive, principles-based framework for recognizing revenue. The new revenue guidance introduces FASB Accounting Standards Codification (ASC) 606 and supersedes the revenue recognition requirements of FASB ASC 605 and most industry-specific guidance in the FASB ASC. The ASU is intended to improve U.S. GAAP by providing a framework to address revenue recognition issues, creating more consistency and comparability of revenue recognition practices across entities and industries, and improving the usefulness of information provided to financial statement users through more robust disclosure requirements. This pronouncement is effective for the years beginning after December 15, 2018. Management believes the impact of this ASU will not be material to the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require all leases to be recognized on the statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The new pronouncement is effective for years beginning after December 15, 2020, including interim periods within that year.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13)*. The amendments in ASU 2018-13 modify the disclosure requirements in Topic 820 of the disclosure framework. The modifications include removing the requirement to disclose the amount of and reason for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, the valuation processes for Level 3 fair value measurements, and the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. Also, in lieu of a roll forward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities.

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

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

New accounting pronouncements, continued

Additionally, for certain entities that calculate net asset value, an entity is required to disclose the timing of an investee's assets and the date when restrictions from redemptions that lapse only if the investee has communicated the timing to the entity or announced the timing publicly. ASU 2018-13 is effective for fiscal years beginning on or after December 15, 2019 with early adoption permitted to any removed or modified disclosures of this update. The Organization is evaluating the effect of ASU 2018-13 on its consolidated financial statements and related disclosures.

Note 2 – Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of September 30, 2019 are:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,861,378
Restricted cash	5,440,813
Grants and accounts receivable, net	1,484,787
Investments	7,634,312
Current portion of unconditional promises to give – to be received in one year	<u>201,730</u>
Total financial assets	16,623,020
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note 13)	(3,331,314)
Donor-restricted endowment funds (Note 14)	(4,893,435)
Less contractual restrictions on financial assets (Note 9)	<u>(5,440,813)</u>
Amount available for general operating expenditures, liabilities and obligations within one year	<u>\$ 2,957,458</u>

The above table reflects donor-restricted and any board-designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization's programs. However, in the case of need, the Board of Directors could appropriate resources from the donor restricted endowment funds for general use and operations. Note 14 provides more information about those funds and about the spending policies for all endowment funds.

As part of the Organization's liquidity management, the Organization invests cash in excess of daily requirements in cash equivalents and money market accounts. In the event of unanticipated liquidity need, the Organization has a line of credit available that can be used to meet its current obligations, if necessary (see Note 8).

Note 3 – Investments

A summary of investments, by investment type, at September 30, 2019 and 2018 is presented as follows:

	<u>2019</u>	<u>2018</u>
Money market	\$ 884,474	\$ 420,690
Mutual funds	2,946,232	2,700,859
Corporate bonds	2,542,505	1,892,129
Alternative investments	627,367	320,330
Common stocks	775,964	769,603
U.S government obligations	<u>-</u>	<u>3,692,892</u>
	<u>\$ 7,776,542</u>	<u>\$ 9,796,503</u>

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

Note 3 – Investments, Continued

The following schedule summarizes the net investment return on investments for the years ended September 30, 2019 and 2018:

	2019	2018
Dividends and interest	\$ 273,198	\$ 133,074
Realized and unrealized gains (losses), net	(211,803)	124,224
Total net investment return	\$ 61,395	\$ 257,298

Investment expenses are recorded as reductions to net investment return in the accompanying consolidated statements of activities and netted in realized and unrealized gains in the tables above in the amount of \$38,726 and \$34,970 for the years ended September 30, 2019 and 2018, respectively.

Note 4 – Note Receivable, New Market Tax Credit

The note receivable – NMTC is due from Twain Investment Fund 342, LLC (Twain or Investment Fund), an unrelated party with interest at 1.0% per annum. The note receivable – NMTC receives interest annually through December 2027; at which point interest and principal payments will be due at a rate sufficient to amortize the note receivable – NMTC through the maturity date of December 2046. The note is collateralized by a security interest in the membership interests of the community development entity. Interest receivable accrued related to the note receivable – NMTC is \$24,000 at September 30, 2019.

The note payable – NMTC and regulatory agreement restricts the use of funds to the Organization who qualifies as a qualified active low-income community business for the term of the loan. The balance of the note payable – NMTC at September 30, 2019 is \$8,022,000.

Note 5 – 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).

The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.
- Level 2 – Quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of the fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The estimates presented in the accompanying consolidated financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The Organization bases these fair value estimates on relevant information available to them as of the end of each reporting period or at such time such amounts are recorded.

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

Note 5 – Fair Value Measurements, Continued

Money market funds – fair value is measured based on quoted market prices for the money market funds. The money market funds have a constant net asset value of \$1.

Mutual funds – consist of domestic, international and fixed income mutual funds with fair value measured at the closing price quoted an active markets or which the individual securities are traded.

Corporate bonds – measured at quoted market prices based on the last trade price of the fiscal year. When a bond has not been traded on the last day of the fiscal year, the price is obtained from an independent third party pricing company.

Common stocks – valued at the closing price reported on the active market on which the individual securities are traded.

Alternative investments – consisting of hedge funds valued daily at net asset value on active markets as of the reporting date.

Donor advised account – investment account with the Community Foundation for Palm Beach and Martin Counties and is valued at the net asset value of the account at the end of year.

U.S. government obligations – fair value based on quoted prices for similar assets in active markets; and inputs other than quoted market prices, such as yield curves and interest rates.

The following table summarizes the Organization’s determination of fair value as of September 30, 2019 and 2018 on the following financial assets and liabilities using these input levels that are measured at fair value on a recurring basis:

	Fair Value Measurements as of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 884,474	\$ -	\$ -	\$ 884,474
Alternative investments	485,137	-	-	485,137
Corporate bonds	2,542,505	-	-	2,542,505
Mutual funds	2,946,232	-	-	2,946,232
Common stocks	<u>775,964</u>	<u>-</u>	<u>-</u>	<u>775,964</u>
Total investments	7,634,312	-	-	7,634,312
Beneficial interest in assets held by Community Foundation	<u>-</u>	<u>-</u>	<u>142,230</u>	<u>142,230</u>
Total	<u>\$ 7,634,312</u>	<u>\$ -</u>	<u>\$ 142,230</u>	<u>\$ 7,776,542</u>

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

Note 5 – Fair Value Measurements, Continued

	Fair Value Measurements as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 420,690	\$ -	\$ -	\$ 420,690
Alternative investments	178,509	-	-	178,509
Corporate bonds	1,892,129	-	-	1,892,129
Mutual funds	2,700,859	-	-	2,700,859
Common stocks	769,603	-	-	769,603
U.S. government obligations	<u>-</u>	<u>3,692,892</u>	<u>-</u>	<u>3,692,892</u>
Total investments	5,961,790	3,692,892	-	9,654,682
Beneficial interest in assets held by Community Foundation	<u>-</u>	<u>-</u>	<u>141,821</u>	<u>141,821</u>
Total	<u>\$ 5,961,790</u>	<u>\$ 3,692,892</u>	<u>\$ 141,821</u>	<u>\$ 9,796,503</u>

The following is a schedule of Level 3 investment activity for the year ended September 30, 2019 measured on a recurring basis using significant unobservable inputs:

	Community Foundation
Balance as of October 1, 2018	\$ 141,821
Net investment return	1,444
Fees	<u>(1,035)</u>
Balance as of September 30, 2019	<u>\$ 142,230</u>

Note 6 – Unconditional Promises to Give

Unconditional promises to give as of September 30, 2019 and 2018 are detailed as follows:

	2019	2018
Capital campaign pledges	<u>\$ 1,190,750</u>	<u>\$ 1,579,150</u>
Unconditional promises to give before unamortized discount and allowances for uncollectible pledges	1,190,750	1,579,150
Less: unamortized discount	<u>(49,315)</u>	<u>(74,448)</u>
Subtotal	1,141,435	1,504,702
Less: allowance for uncollectible pledges	<u>(190,520)</u>	<u>(66,803)</u>
Net unconditional promises to give	<u>\$ 950,915</u>	<u>\$ 1,437,899</u>
Current portion of unconditional promises to give	\$ 201,730	\$ 540,452
Non-current portion of unconditional promises to give	<u>749,185</u>	<u>897,447</u>
	<u>\$ 950,915</u>	<u>\$ 1,437,899</u>
Amounts due in:		
Less than one year	\$ 392,250	\$ 614,900
One to five years	783,500	944,250
After five years	<u>15,000</u>	<u>20,000</u>
Total	<u>\$ 1,190,750</u>	<u>\$ 1,579,150</u>

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

Note 6 – Unconditional Promises to Give, Continued

The Organization applies discount rates ranging from 3.5% to 5% to its pledges with terms in excess of one year. At September 30, 2019 and 2018, approximately 58% of total unconditional promises to give were from two donors in each year.

Note 7 – Property and Equipment

Property and equipment as of September 30, 2019 and 2018, consists of the following:

	2019	2018
Land	\$ 354,024	\$ 354,024
Land under lease, net	1,995,812	2,038,847
Building and leasehold improvements	15,556,778	15,551,378
Vehicles	1,207,137	1,182,086
Equipment and furniture	1,148,383	930,727
	20,262,134	20,057,062
Less: accumulated depreciation	(5,603,747)	(5,090,432)
	14,658,387	14,966,630
Construction in progress	2,002,391	214,445
Property and equipment, net	\$ 16,660,778	\$ 15,181,075

Depreciation expense totaled \$633,325 and \$628,285 for the years ended September 30, 2019 and 2018, respectively. 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, 2020.

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 donor 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 \$43,035 and \$40,940 for the years ended September 30, 2019 and 2018, respectively.

Note 8 – 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, 2019) and expires in October 2020. There were no outstanding borrowings under the line of credit at September 30, 2019 and 2018.

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

Note 9 – Long-term Debt

Long-term debt at September 30, 2019 and 2018 is as follows:

	2019	2018
Note payable – Wellington Club, repayment of construction advances to the Village of Wellington. Payable in annual installments of \$116,030 through 2024. The note is not charged interest by the Village of Wellington and as a result, the Organization applies an imputed interest rate discount of 5%.	\$ 450,448	\$ 560,548
Vehicle and equipment notes payable - various financing companies and financial institutions; monthly payments of principal and interest with interest rates ranging from 1.30% to 4.75%; maturing through 2024; collateralized by certain vehicles and equipment.	260,629	132,621
NMTC loan payable – loan payable to Florida Community Loan Fund as part of the New Market Tax Credit financing (see below).	8,022,000	-
	8,733,077	693,169
Less: discount on note payable – Wellington Club	(50,866)	(79,958)
Less: current portion of long-term debt	(219,637)	(130,490)
Less: unamortized loan costs	(532,324)	-
Long-term debt, net	\$ 7,930,250	\$ 482,721

NMTC loan

The Organization has a loan payable to the Florida Community Loan Fund (FCLF) as part of the New Market Tax Credit (NMTC) financing. The NMTC loan is a 27 year loan commencing April 2019. Interest is charged at a fixed annual rate of 1.31% and paid annually beginning December 2019. The NMTC loan is interest only through December 2027. Principal payments are scheduled to begin December 2027. The NMTC loan is secured by substantially all of the assets of the Foundation, the restricted cash held in escrow, and the construction assets acquired by the NMTC loan proceeds. Interest accrued on the NMTC loan at September 30, 2019 totaled \$43,787.

Loan costs paid with NMTC loan totaled \$538,929 and accumulated amortization at September 30, 2019 was \$6,605.

Principal payments due on these notes in years subsequent to September 30, 2019 are as follows:

Year Ending September 30,	Amount
2020	\$ 219,637
2021	170,487
2022	161,074
2023	147,387
2024	12,492
Thereafter,	8,022,000
	\$ 8,733,077

Note 10 – 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, 2019 and 2018 was \$1,057,070 and \$1,065,965, respectively.

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

Note 11 – Special Events, Net

Net special events revenue is comprised of the following for the years ended September 30, 2019 and 2018:

	2019	2018
Event proceeds	\$ 3,792,890	\$ 3,349,524
Less: direct event expenses	<u>(1,009,659)</u>	<u>(1,042,347)</u>
Special events, Net	<u>\$ 2,783,231</u>	<u>\$ 2,307,177</u>

Note 12 – 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 \$114,696 and \$108,541 for the years ended September 30, 2019 and 2018, respectively.

Note 13 – Net Assets with Donor Restrictions

At September 30, 2019 and 2018, net assets with donor restrictions are available for the following purposes or periods:

	2019	2018
Purpose and time restrictions:		
Club:		
United Way allocation for next year	\$ 147,450	\$ 151,500
Warsaw Scholarship Fund	188,034	179,932
West Palm Beach land grant	286,024	286,024
Land under lease	1,995,812	2,038,847
Belle Glade Club grant	257,300	186,231
Belle Glade Club operations	-	33,429
Foundation:		
Capital campaigns	927,977	1,437,899
Club buildings	2,248,581	6,143,434
Leverage Lender:		
Belle Glade Teen Center	<u>5,743,080</u>	<u>-</u>
	<u>11,794,258</u>	<u>10,457,296</u>
Endowment funds with perpetual restrictions:		
Foundation:		
DeGeorge Club	2,506,606	2,506,606
Beneficial interest in assets held by Community Foundation	125,000	125,000
Belle Glade Endowment	2,123,279	-
Wellington Endowment	100,000	-
Delray Beach Club	<u>38,550</u>	<u>38,550</u>
	<u>4,893,435</u>	<u>2,670,156</u>
Total net assets with donor restrictions	<u>\$ 16,687,693</u>	<u>\$ 13,127,452</u>

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

Note 13 – Net Assets with Donor Restrictions, Continued

Net assets are released from donor restrictions by the Organization incurring costs or expenses satisfying the restricted purposes or by the occurrence of events and passage of time as specified by the donors.

Net assets were released from donor restrictions during the years ended September 30, 2019 and 2018 for the following purposes:

	2019	2018
Purpose of restriction:		
Club:		
Time restrictions expired on United Way allocations	\$ 200,650	\$ 343,249
Time restrictions expired on free use of facilities	-	22,995
Scholarships and enterprise club	1,941	1,984
Land under lease	43,035	40,940
Belle Glade grant	67,430	43,406
Belle Glade operations	133,429	58,339
Foundation:		
Capital campaign	1,360,193	437,458
Club buildings	447,669	144,051
	<u>\$ 2,254,347</u>	<u>\$ 1,092,422</u>

Note 14 – Endowment

The Organization's endowment is established for the purposes expressed in the Organization's charter. The Organization's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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). FUPMIFA 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.

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.

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

Note 14 – Endowment, Continued

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted and Board designated endowments may fall below the level that the donor or Board requires the Organization to retain as a fund of perpetual duration. There were no such funds with deficiencies as of September 30, 2019 and 2018.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to specified programs supported by its endowment while seeking to maintain purchasing power of the assets. Under this policy, as approved by the Board of Directors, the assets are invested in a manner that is intended to produce results that exceed the price and yield results of multiple benchmarks based on the type of investment, while assuming a moderate level of investment risk.

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.

Spending policy

The Organization's policy is to appropriate for distribution each year. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at an average annual rate consistent with the Organization's objective to preserve and strengthen its endowment for the future.

Beneficial interest in assets held by Community Foundation

The Organization has an agreement with the Community Foundation of Palm Beach and Martin Counties (the Community Foundation) whereby an agency endowment fund was established 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.

Changes in endowment net assets for the year ended September 30, 2019 are presented as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, October 1, 2018	\$ -	\$ 3,083,558	\$ 3,083,558
Net investment return (loss)	-	(27,076)	(27,076)
Transfers	-	1,681,953	1,681,953
Contributions	-	155,000	155,000
Endowment net assets, September 30, 2019	<u>\$ -</u>	<u>\$ 4,893,435</u>	<u>\$ 4,893,435</u>

Note 15 – New Market Tax Credit

On April 30, 2019, the Organization entered into a NMTC financing transaction to partially fund the construction of the Belle Glade Teen Center. The NMTC program is designed to spur new or increased investment into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investments. To earn the tax credit, the NMTC Investor must remain invested for a seven-year period, which will end in 2026 for the Organization's project.

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

Note 15 – New Market Tax Credit, Continued

As part of the financing arrangement, the Foundation issued a \$5,719,080 note receivable to the Investment Fund. The Investment Fund in turn made an investment in FCNMF 28, LLC (FCNMF) which holds a 99.99% investment interest in FCNMF. FCNMF made a \$8,022,000 loan to the Organization's project.

As part of this financing arrangement, the Organization entered into a put and call agreement (Agreement) to take place at the end of the seven-year tax credit period. Under the Agreement, the NMTC Investor can exercise a put option to sell all interest in the Investment Fund to the Organization for \$1,000. If the NMTC Investor does not exercise that put option then the Agreement allows the Organization to exercise a call option to purchase the interest in the Investment Fund at an appraised fair market value.

Leverage Lender received a contribution from the Foundation in the amount of \$5,719,080 and in turn, Leverage Lender made a loan (see Note 4) to the Investment Fund. The transactions between the Foundation and Leverage Lender eliminate in consolidation.

Note 16 – Legal Matters

From time to time, the Organization is a party to certain legal and regulatory proceedings with respect to a variety of matters. The Organization evaluates the likelihood of an unfavorable outcome of all legal regulatory proceedings to which it is a party and accrues a loss contingency when the loss is probable and reasonably estimable. These judgments are subjective based on the status of the legal or regulatory proceedings, the merits of its defenses and consultation with external legal counsel. Legal costs are expensed as incurred and recorded in general and administration expenses.

Management believes that the final resolution of these matters will not have a material adverse effect on the Organization's financial position, cash flows, or results of operations.

Note 17 – Concentrations of Credit Risk

For the years ended September 30, 2019 and 2018, approximately 17% and 16%, respectively, of the Organization's total support and revenue is provided through grants with the State of Florida. For the years ended September 30, 2019 and 2018, approximately 6% and 7%, respectively, 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.

The Organization maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. Cash and cash equivalents and restricted cash exceeded the FDIC insured limit by \$6,281,770 and \$414,382 as of September 30, 2019 and 2018, respectively. The Organization has not experienced any losses in such accounts.

Note 18 – Commitments

The Organization is undergoing construction projects with estimated total cost aggregating approximately \$5,100,000 of which \$1,478,710 is committed under a signed construction contract as of September 30, 2019.

Note 19 – Subsequent Events

Management evaluated activity of the Organization subsequent to September 30, 2019 through January 20, 2020, 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 AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2019

Federal grantor/program title	Grant Period	Federal CFDA Number	Passthrough Grantor's Identifying Number	Total Program Expenditures
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	\$ 9,291
Mentoring Programs Implementation	1/1/19-12/31/19	16.726	OJP 2018	<u>65,730</u>
				<u>75,021</u>
U.S. Department of Housing and Urban Development:				
Passed through:				
City of Boca Raton				
Community Development Block Grant	10/1/18-9/30/19	14.218	FY2018-19	<u>25,000</u>
Total Community Development Block Grant				<u>25,000</u>
U.S. Department of Education:				
Passed through:				
Florida Department of Education				
Twenty-first Century Community Learning Centers	8/1/18-7/31/19	84.287	PPC1	294,832
	8/1/18-7/31/19	84.287	PPC2	455,572
	8/1/18-7/31/19	84.287	PPC3	106,546
	8/1/18-7/31/19	84.287	PPC4	213,757
	8/1/18-7/31/19	84.287	PPC5	128,851
	8/1/18-7/31/19	84.287	PPC6	56,542
	8/1/18-7/31/19	84.287	PPC7	375,341
	8/1/18-7/31/19	84.287	PPC8	112,422
	8/1/18-7/31/19	84.287	PPC9	346,667
	8/1/18-7/31/19	84.287	PPC10	248,933
	8/1/18-7/31/19	84.287	PPC12	349,184
	8/1/18-7/31/19	84.287	PPC14	<u>471,092</u>
Total Twenty-first Century Community Learning Centers				<u>3,159,739</u>
Total expenditures of federal awards				<u>\$ 3,259,760</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 AFFILIATES

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 total federal award expenditures expended by Boys & Girls Clubs of Palm Beach County, Inc. (the Organization) for the year ended September 30, 2019 which have been funded under various federal programs. The information in the Schedule is presented in accordance with 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). Therefore, certain amounts presented in this Schedule may differ from amounts presented in the basic consolidated financial statements.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Contingency

The grant revenue amounts received or receivable are subject to audit and adjustment. If any expenditure is disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement by the grantor agency would become a liability to the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements, and applicable federal laws and regulations.

CONSOLIDATING INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

September 30, 2019

	Boys and Girls Clubs of Palm Beach County, Inc.			Boys & Girls Clubs of Palm Beach County Foundation, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 300,155	\$ 36,086	\$ 336,241	\$ 1,301,943	\$ 223,194	\$ 1,525,137
Restricted cash	5,440,813	-	5,440,813	-	-	-
Investments	215,669	178,565	394,234	676,224	6,563,854	7,240,078
Grant and accounts receivable, net	1,337,337	147,450	1,484,787	-	-	-
Current portion of unconditional promises to give, net	-	-	-	-	201,730	201,730
Due from the Foundation	476,969	-	476,969	-	-	-
Prepaid expenses	610,370	-	610,370	-	-	-
Total current assets	8,381,313	362,101	8,743,414	1,978,167	6,988,778	8,966,945
Property and equipment, net	13,916,229	2,744,549	16,660,778	-	-	-
Unconditional promises to give, net of current portion	-	-	-	-	749,185	749,185
Note receivable - New Market Tax Credit	-	-	-	-	-	-
Beneficial interest in assets held by Community Foundation	-	-	-	42,230	100,000	142,230
Other assets	111,947	-	111,947	-	-	-
Total assets	<u>\$ 22,409,489</u>	<u>\$ 3,106,650</u>	<u>\$ 25,516,139</u>	<u>\$ 2,020,397</u>	<u>\$ 7,837,963</u>	<u>\$ 9,858,360</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued expenses	\$ 598,779	\$ -	\$ 598,779	\$ -	\$ -	\$ -
Due to the Clubs	-	-	-	476,969	-	476,969
Current portion of long-term debt	219,637	-	219,637	-	-	-
Deferred revenue	1,354,152	-	1,354,152	-	-	-
Total current liabilities	2,172,568	-	2,172,568	476,969	-	476,969
Long-term debt, net	7,930,250	-	7,930,250	-	-	-
Total liabilities	10,102,818	-	10,102,818	476,969	-	476,969
Net assets:						
Without donor restrictions	12,306,671	-	12,306,671	1,543,428	-	1,543,428
With donor restrictions	-	3,106,650	3,106,650	-	7,837,963	7,837,963
Total net assets	12,306,671	3,106,650	15,413,321	1,543,428	7,837,963	9,381,391
Total liabilities and net assets	<u>\$ 22,409,489</u>	<u>\$ 3,106,650</u>	<u>\$ 25,516,139</u>	<u>\$ 2,020,397</u>	<u>\$ 7,837,963</u>	<u>\$ 9,858,360</u>

Boys & Girls Clubs of Palm Beach
County Leverage Lender, Inc.

Boys & Girls Clubs of Palm Beach County Leverage Lender, Inc.			Consolidated			
Without Donor Restrictions	With Donor Restrictions	Total	Eliminating	Without Donor Restrictions	With Donor Restrictions	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,602,098	\$ 259,280	\$ 1,861,378
-	-	-	-	5,440,813	-	5,440,813
-	-	-	-	891,893	6,742,419	7,634,312
-	-	-	-	1,337,337	147,450	1,484,787
-	-	-	-	-	201,730	201,730
-	-	-	(476,969)	-	-	-
-	-	-	-	610,370	-	610,370
-	-	-	(476,969)	9,882,511	7,350,879	17,233,390
-	-	-	-	13,916,229	2,744,549	16,660,778
-	-	-	-	-	749,185	749,185
-	5,719,080	5,719,080	-	-	5,719,080	5,719,080
-	-	-	-	42,230	100,000	142,230
-	24,000	24,000	-	111,947	24,000	135,947
<u>\$ -</u>	<u>\$ 5,743,080</u>	<u>\$ 5,743,080</u>	<u>\$ (476,969)</u>	<u>\$ 23,952,917</u>	<u>\$ 16,687,693</u>	<u>\$ 40,640,610</u>
\$ -	\$ -	\$ -	\$ -	\$ 598,779	\$ -	\$ 598,779
-	-	-	(476,969)	-	-	-
-	-	-	-	219,637	-	219,637
-	-	-	-	1,354,152	-	1,354,152
-	-	-	(476,969)	2,172,568	-	2,172,568
-	-	-	-	7,930,250	-	7,930,250
-	-	-	(476,969)	10,102,818	-	10,102,818
-	-	-	-	13,850,099	-	13,850,099
-	5,743,080	5,743,080	-	-	16,687,693	16,687,693
-	5,743,080	5,743,080	-	13,850,099	16,687,693	30,537,792
<u>\$ -</u>	<u>\$ 5,743,080</u>	<u>\$ 5,743,080</u>	<u>\$ (476,969)</u>	<u>\$ 23,952,917</u>	<u>\$ 16,687,693</u>	<u>\$ 40,640,610</u>

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

September 30, 2018

Boys and Girls Clubs of Palm Beach County, Inc.

	Without Donor Restrictions	With Donor Restrictions	Total
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ASSETS

Current assets:

Cash and cash equivalents	\$ 558,503	\$ 36,086	\$ 594,589
Investments	200,006	177,275	377,281
Grant and 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>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>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 Long-term debt	130,490	-	130,490
Deferred revenue	<u>690,984</u>	-	<u>690,984</u>
Total current liabilities	1,399,823	-	1,399,823
Long-term debt, net	<u>482,721</u>	-	<u>482,721</u>
Total liabilities	<u>1,882,544</u>	-	<u>1,882,544</u>
Net assets:			
Without donor restrictions	13,855,136	-	13,855,136
With donor restrictions	<u>-</u>	<u>2,875,963</u>	<u>2,875,963</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 of Palm Beach
County Foundation, Inc.

Boys & Girls Clubs of Palm Beach County Foundation, Inc.			Consolidated			
Without Donor Restrictions	With Donor Restrictions	Total	Eliminating	Without Donor Unrestricted	With Donor Restricted	Total
\$ -	\$ 212,462	\$ 212,462	\$ -	\$ 558,503	\$ 248,548	\$ 807,051
776,273	8,501,128	9,277,401	-	976,279	8,678,403	9,654,682
-	-	-	-	979,396	151,500	1,130,896
-	540,452	540,452	-	-	540,452	540,452
-	-	-	(1,048,797)	-	-	-
-	-	-	-	<u>288,396</u>	-	<u>288,396</u>
776,273	9,254,042	10,030,315	(1,048,797)	2,802,574	9,618,903	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
-	-	-	-	<u>204,204</u>	-	<u>204,204</u>
<u>\$ 1,029,689</u>	<u>\$ 10,251,489</u>	<u>\$ 11,281,178</u>	<u>\$ (1,048,797)</u>	<u>\$ 15,718,572</u>	<u>\$ 13,127,452</u>	<u>\$ 28,846,024</u>
\$ -	\$ -	\$ -	\$ -	\$ 578,349	\$ -	\$ 578,349
1,048,797	-	1,048,797	(1,048,797)	-	-	-
-	-	-	-	130,490	-	130,490
-	-	-	-	<u>690,984</u>	-	<u>690,984</u>
1,048,797	-	1,048,797	(1,048,797)	1,399,823	-	1,399,823
-	-	-	-	<u>482,721</u>	-	<u>482,721</u>
<u>1,048,797</u>	<u>-</u>	<u>1,048,797</u>	<u>(1,048,797)</u>	<u>1,882,544</u>	<u>-</u>	<u>1,882,544</u>
(19,108)	-	(19,108)	-	13,836,028	-	13,836,028
-	<u>10,251,489</u>	<u>10,251,489</u>	-	-	<u>13,127,452</u>	<u>13,127,452</u>
<u>(19,108)</u>	<u>10,251,489</u>	<u>10,232,381</u>	-	<u>13,836,028</u>	<u>13,127,452</u>	<u>26,963,480</u>
<u>\$ 1,029,689</u>	<u>\$ 10,251,489</u>	<u>\$ 11,281,178</u>	<u>\$ (1,048,797)</u>	<u>\$ 15,718,572</u>	<u>\$ 13,127,452</u>	<u>\$ 28,846,024</u>

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

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

	Boys & Girls Clubs of Palm Beach County, Inc.			Boys & Girls Clubs of Palm Beach County Foundation, Inc.		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
Support and revenue:						
Contributions and grants	\$ 3,645,320	\$ 677,172	\$ 4,322,492	\$ -	\$ 3,452,801	\$ 3,452,801
Federal, state and local government grants	4,722,095	-	4,722,095	-	-	-
Special events, net of direct expenses	2,783,231	-	2,783,231	-	-	-
Program revenue	375,616	-	375,616	-	-	-
Snack bar and vending, net	13,711	-	13,711	-	-	-
Donated facilities and goods	2,700,580	-	2,700,580	-	-	-
Other	49,678	-	49,678	-	-	-
Net assets released from restrictions	<u>446,485</u>	<u>(446,485)</u>	<u>-</u>	<u>1,807,862</u>	<u>(1,807,862)</u>	<u>-</u>
Total support and revenue	<u>14,736,716</u>	<u>230,687</u>	<u>14,967,403</u>	<u>1,807,862</u>	<u>1,644,939</u>	<u>3,452,801</u>
Expenses:						
Program services:						
Character and leadership development	1,700,375	-	1,700,375	-	-	-
Education and career development	4,244,397	-	4,244,397	-	-	-
Sports, fitness and recreation	3,269,952	-	3,269,952	-	-	-
Health and life skills	1,307,978	-	1,307,978	-	-	-
Cultural arts	<u>2,086,246</u>	<u>-</u>	<u>2,086,246</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total program services	12,608,949	-	12,608,949	-	-	-
Management and general	1,144,933	-	1,144,933	204,039	-	204,039
Fund raising	<u>924,753</u>	<u>-</u>	<u>924,753</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>14,678,635</u>	<u>-</u>	<u>14,678,635</u>	<u>204,039</u>	<u>-</u>	<u>204,039</u>
Increase (decrease) in net assets before non-operating activities	58,081	230,687	288,768	1,603,823	1,644,939	3,248,762
Transfer of assets	(1,575,142)	-	(1,575,142)	(85,473)	1,660,615	1,575,142
Contribution - Leverage Lender	-	-	-	-	(5,719,080)	(5,719,080)
Net investment return	17,618	-	17,618	43,777	-	43,777
Net unrealized gain on beneficial interest in assets held by community foundation	-	-	-	409	-	409
Interest expense	(49,022)	-	(49,022)	-	-	-
Loss on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(1,548,465)	230,687	(1,317,778)	1,562,536	(2,413,526)	(850,990)
Net assets - beginning of year	<u>13,855,136</u>	<u>2,875,963</u>	<u>16,731,099</u>	<u>(19,108)</u>	<u>10,251,489</u>	<u>10,232,381</u>
Net assets - end of year	<u>\$ 12,306,671</u>	<u>\$ 3,106,650</u>	<u>\$ 15,413,321</u>	<u>\$ 1,543,428</u>	<u>\$ 7,837,963</u>	<u>\$ 9,381,391</u>

Boys & Girls Clubs of Palm Beach
County Leverage Lender, Inc.

Boys & Girls Clubs of Palm Beach County Leverage Lender, Inc.			Consolidated			
Without Donor Restrictions	With Donor Restrictions	Total	Eliminating	Without Donor Restrictions	With Donor Restrictions	Total
\$ -	\$ 5,719,080	\$ 5,719,080	\$ (5,719,080)	\$ 3,645,320	\$ 4,129,973	\$ 7,775,293
-	-	-	-	4,722,095	-	4,722,095
-	-	-	-	2,783,231	-	2,783,231
-	-	-	-	375,616	-	375,616
-	-	-	-	13,711	-	13,711
-	-	-	-	2,700,580	-	2,700,580
-	24,000	24,000	-	49,678	24,000	73,678
-	-	-	-	2,254,347	(2,254,347)	-
-	5,743,080	5,743,080	(5,719,080)	16,544,578	1,899,626	18,444,204
-	-	-	-	1,700,375	-	1,700,375
-	-	-	-	4,244,397	-	4,244,397
-	-	-	-	3,269,952	-	3,269,952
-	-	-	-	1,307,978	-	1,307,978
-	-	-	-	2,086,246	-	2,086,246
-	-	-	-	12,608,949	-	12,608,949
-	-	-	-	1,348,972	-	1,348,972
-	-	-	-	924,753	-	924,753
-	-	-	-	14,882,674	-	14,882,674
-	5,743,080	5,743,080	(5,719,080)	1,661,904	1,899,626	3,561,530
-	-	-	-	(1,660,615)	1,660,615	-
-	-	-	5,719,080	-	-	-
-	-	-	-	61,395	-	61,395
-	-	-	-	409	-	409
-	-	-	-	(49,022)	-	(49,022)
-	-	-	-	-	-	-
-	5,743,080	5,743,080	-	14,071	3,560,241	3,574,312
-	-	-	-	13,836,028	13,127,452	26,963,480
\$ -	\$ 5,743,080	\$ 5,743,080	\$ -	\$ 13,850,099	\$ 16,687,693	\$ 30,537,792

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

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

	Boys & Girls Clubs of Palm Beach County, Inc.		
	Without Donor Restrictions	With Donor Restrictions	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 of direct expenses	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
Other	84,385	-	84,385
Net assets released from restrictions	<u>510,913</u>	<u>(510,913)</u>	<u>-</u>
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	<u>2,020,969</u>	<u>-</u>	<u>2,020,969</u>
Total program services	12,214,509	-	12,214,509
Management and general	1,109,117	-	1,109,117
Fund raising	<u>895,826</u>	<u>-</u>	<u>895,826</u>
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
Leverage Lending Contribution	-	-	-
Net investment return	15,158	-	15,158
Net unrealized gain (loss) on beneficial interest in assets held by community foundation	-	-	-
Interest expense	(49,261)	-	(49,261)
Loss on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>
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 of Palm Beach
County Foundation, Inc.

Boys & Girls Clubs of Palm Beach County Foundation, Inc.			Consolidated			
Without Donor Restrictions	With Donor Restrictions	Total	Eliminating	Without Donor Restrictions	With Donor Restrictions	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
<u>581,509</u>	<u>(581,509)</u>	<u>-</u>	<u>-</u>	<u>1,092,422</u>	<u>(1,092,422)</u>	<u>-</u>
<u>631,630</u>	<u>3,561,814</u>	<u>4,193,444</u>	<u>-</u>	<u>14,333,398</u>	<u>3,728,073</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
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,020,969</u>	<u>-</u>	<u>2,020,969</u>
-	-	-	-	12,214,509	-	12,214,509
244,986	-	244,986	-	1,354,103	-	1,354,103
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>895,826</u>	<u>-</u>	<u>895,826</u>
<u>244,986</u>	<u>-</u>	<u>244,986</u>	<u>-</u>	<u>14,464,438</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)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
340,061	3,736,346	4,076,407	-	(89,099)	3,902,605	3,813,506
<u>(359,169)</u>	<u>6,515,143</u>	<u>6,155,974</u>	<u>-</u>	<u>13,925,127</u>	<u>9,224,847</u>	<u>23,149,974</u>
<u>\$ (19,108)</u>	<u>\$ 10,251,489</u>	<u>\$ 10,232,381</u>	<u>\$ -</u>	<u>\$ 13,836,028</u>	<u>\$ 13,127,452</u>	<u>\$ 26,963,480</u>

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 Affiliates

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 Affiliates (a nonprofit Organization) (the Organization), which comprise the consolidated statements of financial position as of September 30, 2019, 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 20, 2020.

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 20, 2020

Independent Auditor's Report on Compliance with Requirements for Each Major Federal Program and State Financial Assistance Project 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 Affiliates

Report on Compliance for Each Major Federal Program

We have audited Boys & Girls Clubs of Palm Beach County, Inc. and Affiliates' (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, 2019. 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, 2019.



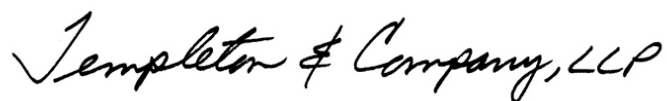
Report on Internal Control Over Compliance

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.



West Palm Beach, Florida
January 20, 2020

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2019**

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.