

***BOYS AND GIRLS CLUBS
OF ADA COUNTY, IDAHO, INC.***

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Boys and Girls Clubs of Ada County, Idaho, Inc.
Boise, Idaho

We have audited the accompanying financial statements of Boys and Girls Clubs of Ada County, Idaho, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of Ada County, Idaho, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

This report has been issued in accordance with, and is subject to, the terms of the engagement letter between Boys and Girls Clubs of Ada County, Idaho, Inc. and Wadsworth Reese, PLLC.

Boise, Idaho
August 21, 2019

Wadsworth Reese, PLLC

BOYS AND GIRLS CLUBS OF ADA COUNTY, IDAHO, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 460,476	\$ 1,471,788
Marketable securities, including unrealized holdings gains/(losses) of (\$126,688) and \$100,729, respectively	1,948,352	1,636,901
Accounts receivable, no allowance for doubtful accounts considered necessary	30,014	1,057,673
Other current assets	<u>12,829</u>	<u>8,245</u>
 Total Current Assets	 <u>2,451,671</u>	 <u>4,174,607</u>
 PROPERTY AND EQUIPMENT, at cost:		
Land, building and improvements	10,069,531	8,188,455
Club equipment and games	181,055	166,694
Club vehicles	153,032	153,032
Office furnishings and equipment	<u>151,842</u>	<u>107,360</u>
	10,555,460	8,615,541
Less accumulated depreciation	<u>2,108,906</u>	<u>1,872,587</u>
	<u>8,446,554</u>	<u>6,742,954</u>
	<u>\$ 10,898,225</u>	<u>\$ 10,917,561</u>

BOYS AND GIRLS CLUBS OF ADA COUNTY, IDAHO, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

<u>LIABILITIES AND NET ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 95,776	\$ 17,481
Accrued payroll related liabilities	136,054	86,918
Note payable	<u>15,107</u>	<u>14,556</u>
Total Current Liabilities	<u>246,937</u>	<u>118,955</u>
NOTE PAYABLE	<u>440,011</u>	<u>454,550</u>
NET ASSETS:		
Unrestricted	10,127,964	8,731,056
Temporarily restricted	<u>83,313</u>	<u>1,613,000</u>
	<u>10,211,277</u>	<u>10,344,056</u>
	<u>\$ 10,898,225</u>	<u>\$ 10,917,561</u>

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

BOYS AND GIRLS CLUBS OF ADA COUNTY, IDAHO, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Unrestricted</u>	
	<u>2018</u>	<u>2017</u>
SUPPORT:		
Special event revenue	\$ 871,166	\$ 888,878
Less cost of direct benefits to donors	<u>165,455</u>	<u>167,952</u>
Net revenues from special events	705,711	720,926
Donations	402,026	256,489
Government grants	633,018	486,513
Public and private grants	72,175	319,874
In-kind contributions	49,419	357,957
Membership dues	4,373	5,174
Program fees	626,291	531,668
Earned income	67,369	18,957
Net assets released from restrictions	<u>1,715,811</u>	<u>594,815</u>
Total Support	<u>4,276,193</u>	<u>3,292,373</u>
EXPENSES:		
Program costs	2,278,368	2,444,675
Fund-raising	186,389	168,335
Management and general	<u>326,916</u>	<u>286,122</u>
Total Expenses	<u>2,791,673</u>	<u>2,899,132</u>
OTHER REVENUE (EXPENSE):		
Interest and investment income	55,161	26,141
Other income/(expense)	(1,947)	-
Gain on asset disposals	4,825	-
Unrealized gain/(loss) on investments	(126,688)	100,427
Interest expense	<u>(18,963)</u>	<u>(20,113)</u>
Total Other Revenue (Expense)	<u>(87,612)</u>	<u>106,455</u>
INCREASE IN NET ASSETS	1,396,908	499,696
NET ASSETS, Beginning of year	<u>8,731,056</u>	<u>8,231,360</u>
NET ASSETS, End of year	<u>\$ 10,127,964</u>	<u>\$ 8,731,056</u>

BOYS AND GIRLS CLUBS OF ADA COUNTY, IDAHO, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>Temporarily Restricted</u>		<u>Total</u>	
<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
\$ -	\$ -	\$ 871,166	\$ 888,878
-	-	165,455	167,952
-	-	705,711	720,926
-	1,662,585	402,026	1,919,074
-	-	633,018	486,513
185,700	-	257,875	319,874
-	-	49,419	357,957
-	-	4,373	5,174
-	-	626,291	531,668
-	-	67,369	18,957
<u>(1,715,811)</u>	<u>(594,815)</u>	<u>-</u>	<u>-</u>
<u>(1,530,111)</u>	<u>1,067,770</u>	<u>2,746,082</u>	<u>4,360,143</u>
-	-	2,274,116	2,444,675
-	-	186,389	168,335
-	-	331,168	286,122
<u>-</u>	<u>-</u>	<u>2,791,673</u>	<u>2,899,132</u>
424	1,354	55,585	27,495
-	-	(1,947)	-
-	-	4,825	-
-	-	(126,688)	100,427
-	-	(18,963)	(20,113)
<u>424</u>	<u>1,354</u>	<u>(87,188)</u>	<u>107,809</u>
(1,529,687)	1,069,124	(132,779)	1,568,820
<u>1,613,000</u>	<u>543,876</u>	<u>10,344,056</u>	<u>8,775,236</u>
<u>\$ 83,313</u>	<u>\$ 1,613,000</u>	<u>\$ 10,211,277</u>	<u>\$ 10,344,056</u>

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

BOYS AND GIRLS CLUBS of ADA COUNTY, IDAHO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Fund- raising</u>	<u>Management and general</u>	<u>Total</u>
Payroll and related costs	\$ 1,340,352	\$ 174,753	\$ 232,421	\$ 1,747,526
Supplies	453,865	-	4,706	458,571
In-kind expenses	49,419	-	-	49,419
Depreciation	222,140	-	14,179	236,319
Utilities	80,284	-	5,124	85,408
Professional fees	-	-	62,377	62,377
Repairs and maintenance	45,379	-	-	45,379
Insurance	57,120	-	3,646	60,766
Training and travel	9,989	-	-	9,989
Transportation expense	14,172	-	-	14,172
Marketing	-	4,157	-	4,157
Meetings	1,371	-	2,056	3,427
Postage	2,407	-	2,407	4,814
Printing	1,870	7,479	-	9,349
	<u>\$ 2,278,368</u>	<u>\$ 186,389</u>	<u>\$ 326,916</u>	<u>\$ 2,791,673</u>

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

BOYS AND GIRLS CLUBS of ADA COUNTY, IDAHO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>Fund- raising</u>	<u>Management and general</u>	<u>Total</u>
Payroll and related costs	\$ 1,150,192	\$ 149,960	\$ 199,447	\$ 1,499,599
Supplies	340,842	-	3,617	344,459
In-kind expenses	357,957	-	-	357,957
Depreciation	205,312	-	13,105	218,417
Utilities	79,249	-	5,058	84,307
Professional fees	-	-	54,787	54,787
Repairs and maintenance	51,002	-	-	51,002
Insurance	53,573	-	3,420	56,993
Training and travel	11,080	-	-	11,080
Transportation expense	6,128	-	2,626	8,754
Marketing	-	9,686	-	9,686
Meetings	1,309	-	1,963	3,272
Postage	2,099	-	2,099	4,198
Printing	2,172	8,689	-	10,861
Uncollectible pledges	183,760	-	-	183,760
	<u>\$ 2,444,675</u>	<u>\$ 168,335</u>	<u>\$ 286,122</u>	<u>\$ 2,899,132</u>

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

BOYS AND GIRLS CLUBS of ADA COUNTY, IDAHO, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

CASH PROVIDED (APPLIED):	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES:		
Increase in net assets	\$ (132,779)	\$ 1,568,820
Adjustments to reconcile decrease in net assets to cash provided by (applied to) operating activities:		
Depreciation	236,319	218,417
Net loss (gain) on sale of assets	(4,825)	-
Net realized loss (gain) on investments	(13,810)	9
Net unrealized loss (gain) on investments	126,688	(100,427)
Decrease (increase) in accounts receivable	1,027,659	(952,998)
(Increase) in pledges receivable	-	183,760
(Increase) in other current assets	(4,584)	5,791
Increase (decrease) in accounts payable	78,295	(13,725)
Increase (decrease) in accrued payroll liabilities	<u>49,136</u>	<u>(44,743)</u>
Cash Provided by Operating Activities	<u>1,362,099</u>	<u>864,904</u>
INVESTING ACTIVITIES:		
Proceeds from the sale of marketable securities	219,170	56,453
Purchases of marketable securities	(643,499)	(1,592,936)
Proceeds from the sale of property and equipment	4,825	-
Payments for purchase of property and equipment	<u>(1,939,919)</u>	<u>(462,440)</u>
Cash Applied to Investing Activities	<u>(2,359,423)</u>	<u>(1,998,923)</u>
FINANCING ACTIVITIES:		
Principal payments on note payable	<u>(13,988)</u>	<u>(11,175)</u>
Cash Applied to Financing Activities	<u>(13,988)</u>	<u>(11,175)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,011,312)	(1,145,194)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,471,788</u>	<u>2,616,982</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 460,476</u>	<u>\$ 1,471,788</u>

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

BOYS AND GIRLS CLUBS OF ADA COUNTY, IDAHO, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

A. Summary of Significant Accounting Policies:

1. Organization - Boys and Girls Clubs of Ada County, Idaho, Inc. was formed in 1995 as a non-profit corporation and began operations in January 1997. The Organization has facilities located in Garden City, Idaho, and Meridian, Idaho. The Organization is a youth development agency that is dedicated to providing all youth between six and eighteen years of age in Ada County with a sense of belonging, usefulness, influence and competence, with special concern for those who most need help. The Club is committed to providing high quality programs designed to develop the skills and talents needed to become responsible citizens and leaders.
2. Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.
3. Management Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
4. Fair Value of Financial Instruments - The Fair Value of Financial Instruments and Disclosures Topic of FASB Accounting Standards Codification (FASB ASC) defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Organization's financial instruments are cash and cash equivalents, accounts receivable and accounts payable. The recorded values of these financial instruments approximate their fair values based on their short-term nature.
5. Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization has designated cash in checking, petty cash account, savings, and money market investments as cash equivalents.
6. Accounts Receivable - Accounts receivable consist of monies due from businesses and individuals. The Organization utilizes the direct write-off method for recognizing bad debts. This departure from the allowance method is deemed immaterial to the accompanying financial statements.

BOYS AND GIRLS CLUBS OF ADA COUNTY, IDAHO, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

7. Property and Equipment - Property and equipment are stated at cost if purchased. Donated property and equipment are stated at the fair market value of the asset as determined by the donor at the date the donation is received. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets.
8. Income Taxes - The Organization is exempt from income taxes as defined by Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Organization has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10 (previously Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*), on January 1, 2009. The implementation of this standard had no impact on the financial statements. As of both the date of adoption and as of December 31, 2018, the unrecognized tax benefit accrual was zero.

The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Organization is subject to examinations by tax authorities for years 2015 through 2017.

9. Donated Services - Donated services, reported as in-kind contributions in the accompanying financial statements, have been recorded at fair market value as determined by the donor.
10. Reclassifications - For comparability, certain amounts in the 2017 financial statements have been reclassified, where appropriate, to conform with the financial presentation used in 2018.
11. Subsequent Events – Management has evaluated subsequent events through August 21, 2019, the date on which the financial statements were available to be issued. There are no other subsequent events that require disclosure as of the date above.

B. Financial Statement Presentation:

The Organization follows the reporting guidance of FASB ASC 958 for Not-for-Profit Entities. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by this statement, the Organization does not use fund accounting.

BOYS AND GIRLS CLUBS OF ADA COUNTY, IDAHO, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

C. Marketable Securities:

In accordance with FASB ASC 958-320, marketable securities are classified as “available-for-sale” and are recorded at fair market value. The current year change in the unrealized gain or loss is recorded in the statement of activities as a component of “unrealized gains (loss) on marketable securities.”

Information regarding marketable securities as of and for the years ended December 31, 2018 and 2017 is summarized as follows:

Available for sale securities as of December 31, 2018

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Marketable Securities	\$ 977,556	\$ 971,325	\$ 971,325
Corporate / Government Bonds	985,506	977,027	977,027

Available for sale securities as of December 31, 2017

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Marketable Securities	\$ 913,437	\$ 1,024,167	\$ 1,024,167
Corporate / Government Bonds	618,520	612,734	612,734

Investment return is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest, dividend, and long-term capital gain income	\$ 40,629	\$ 25,445
Net realized gains (loss)	13,810	(9)
Net unrealized gains (loss)	<u>(126,688)</u>	<u>100,427</u>
Total investment income	<u>\$ (72,249)</u>	<u>\$ 125,863</u>

D. Fair Value Measurements:

The Organizations investments are reported at fair value in the accompanying statement of net assets available for benefits.

FASB ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

BOYS AND GIRLS CLUBS OF ADA COUNTY, IDAHO, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

D. Fair Value Measurements (continued):

The fair values of marketable securities and corporate / government bonds are based on quoted market prices. The fair value is measured using quoted prices in active markets for identical assets.

<u>As of December 31, 2018</u>	<u>Fair Value</u>	<u>(Level 1)</u>
Marketable Securities	\$ 971,325	\$ 971,325

Corporate / Government Bonds	977,027	<u>(Level 2)</u> 977,027
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<u>As of December 31, 2017</u>	<u>Fair Value</u>	<u>(Level 1)</u>
Marketable Securities	\$ 1,024,167	\$ 1,024,167

Corporate / Government Bonds	612,734	<u>(Level 2)</u> 612,734
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E. Unrestricted and Temporarily Restricted Net Assets:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily restricted net assets consist of contributions restricted due to time restrictions or donor-imposed purpose restrictions. When time or purpose restrictions are met, amounts are classified as unrestricted net assets. As of December 31, 2018 and 2017, the Organization received the following temporarily restricted contributions.

	<u>2018</u>	<u>2017</u>
Expansion/remodel of facilities	\$ -	\$ 1,545,000
Operational programs	<u>185,700</u>	<u>117,585</u>
Total investment income	<u>\$ 185,700</u>	<u>\$ 1,662,585</u>

F. Preferred Stock:

Preferred stock consists of uncertified shares of non-voting stock donated to the Club and is summarized as follows:

	<u>2018</u>	<u>2017</u>
One Share, Series A, Seventh Street Real Estate Investment Trust	<u>\$ 1,000</u>	<u>\$ 1,000</u>

BOYS AND GIRLS CLUBS OF ADA COUNTY, IDAHO, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

G. Line-of-Credit:

The Organization maintained a \$100,000 operating line of credit with Bank of the Cascades. The line bears current interest at a variable rate of 4% with a floor of 4% and is secured by the Garden City, Idaho facility. The line matured on May 10, 2018 and the organization decided to not extend the line of credit. At December 2018 and 2017, no amounts were advanced against the line.

H. Note Payable:

Note Payable at December 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Note payable to Bank of the Cascades, refinanced on April 24, 2014, due in monthly payments of \$2,746 including interest at 4.13%, with one payment of \$366,531 due on May 5, 2024, secured by property in Meridian and Garden City, Idaho.	<u>\$ 455,118</u>	<u>\$ 469,106</u>

Estimated maturities of the note payable at December 31, 2018 are summarized as follows:

<u>Year ending December 31,</u>	
2019	\$ 15,107
2020	15,679
2021	16,272
2022	16,888
2023 and thereafter	<u>391,172</u>
	<u>\$ 455,118</u>

BOYS AND GIRLS CLUBS OF ADA COUNTY, IDAHO, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

I. Retirement Plan:

The Club sponsors, through Boys and Girls Clubs of America, a retirement plan under 401(k) of the Internal Revenue Code. On January 1, 2003, the Club changed their retirement plan with the Boys and Girls Clubs of America. The plan does not have employee deferrals and the Club contributes 10% of the salary of any vested employee. During the years ended December 31, 2018 and 2017, the Club contributed \$67,092 and \$57,235, respectively.

J. Concentrations of Credit Risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash in checking accounts, money market accounts, certificates of deposit and unconditional promises to give. The Organization routinely maintains balances in excess of limits insured against loss by the Federal Deposit Insurance Corporation. Unconditional promises to give consist of promises obtained from various private foundations, businesses and individuals located in Southern Idaho. The Organization maintains cash accounts, securities, and bonds with a brokerage firm with amounts routinely in excess of either FDIC or SIPC limits.