

**BOYS AND GIRLS CLUBS OF THE  
EMERALD COAST, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Boys and Girls Clubs of the Emerald Coast, Inc. and Subsidiary  
Fort Walton Beach, FL

### ***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of the Boys and Girls Clubs of the Emerald Coast, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statement of activities, functional expenses and cash flows for the year 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 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 the Emerald Coast, Inc. and Subsidiary as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Report on Summarized Comparative Information***

We previously audited Boys and Girls Clubs of the Emerald Coast, Inc. and Subsidiary's financial statements and their report dated June 20, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements of financial position and activities on pages 15 - 16 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Coastal Accounting*

**COASTAL ACCOUNTING OF NW FLORIDA, PA**  
***Certified Public Accountants & Consultants***

Destin, FL  
July 10, 2018

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Current assets		
Cash - unrestricted	\$ 58,540	\$ 190,783
Cash - restricted	184,970	27,858
Contributions receivable, net	4,113	2,922
Grants receivable	58,112	37,373
Investments - unrestricted	2,367,341	3,095,957
Investments - restricted	2,039,363	2,009,198
Deposits	4,194	4,194
Prepaid insurance	206,584	177,161
Total current assets	4,923,217	5,545,446
Land, buildings and equipment, net	24,265,520	24,762,936
Other assets	2,543	4,649
<b>TOTAL ASSETS</b>	<b>\$ 29,191,280</b>	<b>\$ 30,313,031</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 31,743	\$ 15,539
Accrued expenses	68,818	67,754
Deferred revenue	100	100
Insurance notes payable	206,584	177,161
Total current liabilities	307,245	260,554
<b>NET ASSETS</b>		
Without donor restrictions	26,605,724	28,024,619
With donor restrictions	2,278,311	2,027,858
<b>TOTAL NET ASSETS</b>	<b>28,884,035</b>	<b>30,052,477</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 29,191,280</b>	<b>\$ 30,313,031</b>

See independent auditor's report and notes to financial statements.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2017</b>	<b>2016</b>
<b>SUPPORT AND REVENUES</b>				
Program and activity fees	\$ 1,102,242	\$ -	\$ 1,102,242	\$ 925,268
Contributions	124,263	57,926	182,189	164,527
Grants	351,796	181,022	532,818	386,440
In-kind revenue	944,728	-	944,728	973,655
Special events	148,002	-	148,002	111,221
Interest income	854	-	854	528
Investment income	295,362	206,563	501,925	342,525
Rent	74,596	-	74,596	53,468
Bad debt recovery	6,300	-	6,300	-
Other	267	-	267	-
Total support and other revenue	<u>3,048,410</u>	<u>445,511</u>	<u>3,493,921</u>	<u>2,957,632</u>
Net assets released from restrictions:				
Satisfaction of program requirements	<u>195,058</u>	<u>(195,058)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUES AFTER NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>3,243,468</b>	<b>250,453</b>	<b>3,493,921</b>	<b>2,957,632</b>
<b>EXPENSES</b>				
Program services	3,911,723	-	3,911,723	3,710,370
Management and general	564,060	-	564,060	581,360
Fundraising	<u>186,580</u>	<u>-</u>	<u>186,580</u>	<u>167,508</u>
<b>TOTAL EXPENSES</b>	<u>4,662,363</u>	<u>-</u>	<u>4,662,363</u>	<u>4,459,238</u>
<b>CHANGE IN NET ASSETS</b>	<b>(1,418,895)</b>	<b>250,453</b>	<b>(1,168,442)</b>	<b>(1,501,606)</b>
<b>NET ASSETS - BEGINNING</b>	<u>28,024,619</u>	<u>2,027,858</u>	<u>30,052,477</u>	<u>31,554,083</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 26,605,724</u>	<u>\$ 2,278,311</u>	<u>\$ 28,884,035</u>	<u>\$ 30,052,477</u>

See independent auditor's report and notes to financial statements.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2017</u>	<u>2016</u>
<b>EXPENSES</b>					
Wages and related benefits					
Wages	\$ 1,474,528	\$ 264,448	\$ 73,149	\$ 1,812,125	\$ 1,650,243
Employee benefits	121,379	65,560	7,252	194,191	185,869
Payroll taxes	110,555	19,156	5,499	135,210	121,351
Pension	20,569	7,685	-	28,254	22,092
Total wages and related benefits	<u>1,727,031</u>	<u>356,849</u>	<u>85,900</u>	<u>2,169,780</u>	<u>1,979,555</u>
Other expenses					
Depreciation	495,288	2,128	-	497,416	530,730
Rent	883,120	11,250	3,810	898,180	896,560
Utilities	146,478	11,264	4,956	162,698	194,150
Curriculum expense	172,396	7,259	1,815	181,470	131,462
Insurance	151,504	18,036	10,822	180,362	220,781
Office	36,203	22,124	8,716	67,043	64,480
Professional fees	29,288	40,446	-	69,734	53,898
Fundraising	-	-	59,778	59,778	70,783
Property taxes	59,342	1,211	-	60,553	58,850
Bank & investment fees	18,089	30,399	-	48,488	53,859
Repairs and maintenance	56,617	37,744	-	94,361	76,239
Transportation	49,061	-	-	49,061	20,992
Conferences and meetings	35,775	17,311	4,616	57,702	51,130
Marketing	-	-	6,167	6,167	4,256
Dues and subscriptions	27,955	8,039	-	35,994	23,686
Bad debt expense	-	-	-	-	3,906
Awards and recognition	23,576	-	-	23,576	23,921
Total operating expenses	<u>2,184,692</u>	<u>207,211</u>	<u>100,680</u>	<u>2,492,583</u>	<u>2,479,683</u>
<b>TOTAL EXPENSES</b>	<u>\$ 3,911,723</u>	<u>\$ 564,060</u>	<u>\$ 186,580</u>	<u>\$ 4,662,363</u>	<u>\$ 4,459,238</u>

See independent auditor's report and notes to financial statements.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2017</b>	<b>2016</b>
Change in net assets	\$ (1,168,442)	\$ (1,501,606)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	497,416	530,730
Investment (income) loss	(501,925)	(342,525)
Bad debt expense	-	3,906
(Increase) decrease in assets		
Contributions receivable, net	(1,191)	(5,094)
Grants receivable	(20,739)	24,416
Deposits	-	(1,694)
Prepaid insurance	(29,423)	60,742
Other assets	2,106	(84)
Increase (decrease) in liabilities		
Accounts payable	16,204	(3,854)
Accrued expenses	1,064	3,003
Net cash flows from operating activities	<u>(1,204,930)</u>	<u>(1,232,060)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from sale of investments	2,759,356	3,068,624
Purchase of investments	(1,558,980)	(1,765,106)
Purchase of property and equipment	-	(11,855)
Net cash flows from investing activities	<u>1,200,376</u>	<u>1,291,663</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on insurance note payable	(177,161)	(236,185)
Proceeds from insurance note payable	206,584	177,137
Net cash flows from financing activities	<u>29,423</u>	<u>(59,048)</u>
<b>NET CHANGE IN CASH</b>	24,869	555
<b>CASH AT BEGINNING OF YEAR</b>	<u>218,641</u>	<u>218,086</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 243,510</u></u>	<u><u>\$ 218,641</u></u>
<b>RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION</b>		
Cash - unrestricted	\$ 58,540	\$ 190,783
Cash - restricted	<u>184,970</u>	<u>27,858</u>
Total cash at end of year	<u><u>\$ 243,510</u></u>	<u><u>\$ 218,641</u></u>

See independent auditor's report and notes to financial statements.



**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Organization***

Boys and Girls Clubs of the Emerald Coast, Inc. is a not-for-profit organization incorporated under the laws of the State of Florida in 1967, for the purpose of inspiring and empowering all young people and their families, in partnership with the community, to achieve their full potential to be great. The Boys and Girls Clubs of the Emerald Coast, Inc. is primarily supported through donor contributions, membership fees, special events, and grants.

The Boys and Girls Clubs of the Emerald Coast Foundation, Inc. is a not-for-profit organization organized under the laws of the State of Florida on July 29, 2005, to support and carry out charitable and educational functions of the Boys and Girls Clubs of the Emerald Coast, Inc. by providing financial support and other aid to the Boys and Girls Clubs of the Emerald Coast, Inc. and to its beneficiaries as directed by the Boys and Girls Clubs of the Emerald Coast, Inc. as a supporting organization.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Boys and Girls Clubs of the Emerald Coast, Inc. and the Boys and Girls Clubs of the Emerald Coast Foundation, Inc. The Boys and Girls Clubs of the Emerald Coast, Inc. has both an economic interest in the Boys and Girls Clubs of the Emerald Coast Foundation, Inc. and control of the Boys and Girls Clubs of the Emerald Coast Foundation, Inc. through a majority voting interest in its governing board. All material inter-entity transactions have been eliminated. Hereinafter, the Boys and Girls Clubs of the Emerald Coast, Inc. and the Boys and Girls Clubs of the Emerald Coast Foundation, Inc. will be referred to as "the Organization".

***Basis of Accounting***

The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. It uses the accrual basis of accounting, which reflects all significant receivables, payables, and other liabilities. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges for contributions, if any, are recorded as received and allowances are provided for amounts if determined to be uncollectible. Program and activity fees are recognized in the period to which the fees relate.

The costs of providing the various programs and other activities have been detailed in the accompanying Consolidated Statement of Functional Expenses and summarized on a functional basis in the Consolidated Statement of Activities. Salaries and other expenses, which are associated with a specific program, are charged directly to that program.

Salaries and other expenses, which benefit more than one program, are allocated to the various programs based on the relative benefit provided. Most administrative expenses are allocated to the various programs based on each program's salary expense.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Revenue Recognition***

The Organization has adopted the recommendations of the Financial Accounting Standards Board (FASB) in FASB Accounting Standards Codification (ASC) 958 "Not-for-Profit Organizations." Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; without donor restrictions and with donor restrictions, depending on the existence and/or nature of any donor restriction.

Contributions are recognized when the donor makes a promise to give to the Organization. The long-term portion of promises to give are reported at their present value as net assets with donor restrictions. As these assets become current, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

***Financial Statement Presentation***

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in FASB Accounting Standards Codification (ASC) 958 "Not-for-Profit Organizations." Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

***Net assets without donor restrictions*** - Net assets not restricted by donors, or donor-imposed restrictions have expired. Board designated or appropriated amounts are reported as net assets without donor restrictions since the Board has the authority to change or withdraw such designations or appropriations.

***Net assets with donor restrictions*** - Net assets which contain donor-imposed restrictions that require the organization to use or expend the assets as specified.

***Cash and Cash Equivalents***

It is the Organization's policy to treat as cash equivalents short-term, highly liquid investments that are readily convertible to known amounts of cash and that are so near to maturity that they present insignificant risk of changes in value because of changes in interest rates.

***Investments***

The Organization's investments are in mutual funds and money market accounts and are classified as "available for sale" securities in accordance with the Investments Subtopic of the Not-for-Profit Entities Topic of the FASB ASC. The investments are measured at fair value using quoted prices in active markets for identical assets (Level 1 Inputs). All realized and unrealized gains and losses are included in the change in net assets for the year.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Contributions Receivable, net***

Contributions receivable represents donors' unconditional promises to give as of December 31, 2017. Accounting policies generally accepted in the United States of America require an allowance for doubtful accounts. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all promises to give to determine the collectability of the pledge. After all attempts to collect on a pledge have been exhausted, the receivable is written off against the allowance. As of December 31, 2017 the Organization had total contributions receivable of \$18,510 and an allowance for doubtful accounts of \$14,397.

***Land, Buildings, and Equipment***

Land, buildings and equipment are recorded at cost, or at fair market value if donated. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization follows the practice of capitalizing acquisitions of assets in excess of \$1,500. Depreciation expense is reported in the Consolidated Statement of Activities as a decrease in net assets without donor restrictions, and is calculated using the straight-line method with useful lives ranging from 5 to 39 years.

***Compensated Absences***

Employees of the Organization are entitled to paid time off depending on job classification, length of service, and other factors. Eligible employees begin to accrue paid time off on the first day of employment; however, they are not eligible to use the paid time off until after a 90 day probationary period; earned paid time off benefits from the prior year greater than 40 hours lapse. In the event of termination, an employee may be eligible to receive the vacation days accrued for the current calendar year only (to be paid at CEO's discretion). The Organization was not liable for any accrued compensated absences at December 31, 2017.

***Income Taxes***

The Organization qualifies as a tax-exempt exemption under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The Organization is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles. With few exceptions, the Organization is no longer subject to federal, state or local income tax examinations by tax authorities for years before 2014.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Donated Space, Materials and Services*

Donated space and materials are reflected in the accompanying statements at their estimated fair values and reported as in-kind revenue. No material amounts have been reflected in the financial statements for donated services; however, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific program services and campaign solicitation.

When the value of donated space use is ascertainable and meets the criteria for recognition in the Statement of Activities, it is reflected in the accompanying financial statements as in-kind revenue and expense. Rent and utility expenses are recorded at estimated fair value. For the year ended December 31, 2017, the Organization recorded in-kind rent and utilities of \$937,420.

In addition, the Organization received donated materials and supplies for curriculum, awards and recognition, and fundraising events totaling approximately \$7,308.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Comparative Data*

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

*Reclassifications*

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE 2 – INVESTMENTS**

The following is a summary of the investments held by the Organization at December 31, 2017:

<b>Asset</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cumulative Unrealized Gain (Loss)</b>
<i>Investments</i>			
Mutual funds	\$ 3,824,904	\$ 4,323,336	\$ 498,432
Cash accounts	83,368	83,368	-
<b>Total</b>	<b>\$ 3,908,272</b>	<b>\$ 4,406,704</b>	<b>\$ 498,432</b>

Reconciliation of fair value of investments to Statement of Financial Position:

Investments - unrestricted	\$ 2,367,341
Investments - restricted	2,039,363
<b>Totals</b>	<b>\$ 4,406,704</b>

Investment income in the Consolidated Statement of Activities consisted of the following for the year ended December 31, 2017:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Interest and dividends	\$ 57,496	\$ 61,872	\$ 119,368
Realized gain (loss)	106,688	16,756	123,444
Unrealized gain (loss)	131,178	127,935	259,113
<b>Total</b>	<b>\$ 295,362</b>	<b>\$ 206,563</b>	<b>\$ 501,925</b>

**NOTE 3 – LAND, BUILDINGS, AND EQUIPMENT, NET**

Land, buildings and equipment at December 31, 2017 is summarized as follows:

Buildings and improvements	\$ 14,754,560
Land and improvements	12,196,618
Furniture and equipment	515,340
Vehicles	561,052
	<u>28,027,570</u>
Less accumulated depreciation	<u>(3,762,050)</u>
<b>Land buildings and equipment, net</b>	<b>\$ <u>24,265,520</u></b>

Depreciation expense for the year ended December 31, 2017 was \$497,416.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2017 consisted of the following:

Programming activities at the South Walton County Club Facility	\$	8,936
Education supplies		30,611
Fort Walton Beach Youth		5,000
Project After School Program		181,022
Defuniak Springs Maintenance		13,379
Donor restricted endowment fund to benefit South Walton County Club		<u>2,039,363</u>
Total	\$	<u><u>2,278,311</u></u>

**NOTE 5 – ENDOWMENT FUNDS**

The State of Florida enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective July 1, 2012, the provisions of which apply to endowment funds existing on or established after that date. The Organization has determined that \$2,039,363 of Organization's net assets with donor restrictions meet the definition of endowment funds under UPMIFA.

The Organization interprets UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions 1) the original value of gifts donated to the perpetual endowment, 2) the original value of subsequent gifts to the perpetual endowment, and 3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination of whether to invest or appropriate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Income from the assets held is available for program, operations, and emergency capital repair expenses of the Organization's South Walton Club.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE 5 – ENDOWMENT FUNDS (CONTINUED)**

Endowment net asset composition by type of fund as of December 31, 2017:

	<u>With Donor Restrictions</u>
Donor-restricted endowment fund established in 2011 to benefit the South Walton County Club in Santa Rosa Beach, Florida	\$ <u>2,039,363</u>

Changes in endowment net assets for the year ended December 31, 2017:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 2,009,198
Disbursements to benefit South Walton County Club	(162,410)
Investment income	<u>192,575</u>
Endowment net assets, end of year	\$ <u>2,039,363</u>

The Organization's endowment investment policy is based on fundamental financial principles that include prudent asset allocation, risk assessment and long-term planning. The investment policy emphasizes total return, which allows the funds to utilize current dividend and interest income, and over time, a portion of the aggregate return from capital appreciation, in an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Within this framework, specific investment objectives for endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to produce, after investment expenses, a minimum annual compound total rate of return equal to the Consumer Price Index (CPI) plus 300 basis points (3%) for spending, plus an additional 200 basis points (2%) on an annualized basis. Actual returns in any given year may vary from this amount.

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 earnings (interest and dividends). The Organization targets a diversified asset allocation.

Endowment funds are maintained in a pooled investment portfolio. Interest, dividends, and realized and unrealized gains and losses in the investment pools are allocated monthly to the endowment funds in proportion to each fund's share in the investment pool.

**NOTE 6 – INSURANCE NOTES PAYABLE**

In December 2017 the Organization's insurance policies renewed. The policies were financed through the respective carrier. The notes do not state any interest charged but have fees less than 1% of the balances financed.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE 7 – RETIREMENT PLAN**

The Organization participates in a qualified retirement plan in which the Organization makes a matching contribution equal to 5% of each eligible employee's annual gross salary. Employees are eligible to participate in the plan after one full year of continuous service. Employees become 100% vested immediately upon entry into the plan. Retirement expense for the year ended December 31, 2017 totaled \$28,254.

**NOTE 8 – CONTINGENCIES**

The insurance policy for windstorm coverage became effective December 2017. The hurricane deductible amount is \$678,372 which represents 5% of the insured value of the buildings and improvements which are listed on the policies at \$13,567,457.

**NOTE 9 – GRANTS**

During 2017, the Organization received grants from the Office of Justice Programs (OJP) totaling \$37,449. The funds received were restricted to be used for mentoring.

During 2017, the Organization received a grant from the Department of Education (DOE) totaling \$94,954. The monies were restricted for programming.

During 2017, the Organization received a grant from the Destin Charity Wine Auction Foundation totaling \$181,022 (net of auction lot expenses). The monies were restricted for the Project After School Program.

In addition to the aforementioned grants, the Organization received various restricted and unrestricted grants in 2017. The various grants received totaled \$219,393.

**NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of December 31, 2017, reduced by amounts not available for general use because of donor restrictions.

Financial assets at year end	\$ 4,712,439
Less those unavailable for general expenditures	
Donor restricted funds	<u>(2,278,311)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>2,434,128</u></u>

**NOTE 11 – SUBSEQUENT EVENTS**

In January 2017, the Organization accepted an offer to sell a 24.28 acre parcel of land in Santa Rosa Beach, Florida for \$5,500,000. The buyer put down a \$50,000 earnest money deposit, and the closing date was to be on or before March 7, 2018. Due to litigation with the developer, the closing is expected to occur in 2019.

The Organization has evaluated events through July 10, 2018 (the date the financial statements were available to be issued) and determined no other events occurred which require accrual or disclosure in the financial statements for the year ended December 31, 2017.



## **SUPPLEMENTARY INFORMATION**

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

	<u>Clubs</u>	<u>Foundation</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
<b>ASSETS</b>				
Current assets				
Cash - unrestricted	\$ 46,176	\$ 12,364	\$ -	\$ 58,540
Cash - restricted	184,970	-	-	184,970
Contributions receivable, net	1,971	2,142	-	4,113
Grants receivable	58,112	-	-	58,112
Investments - unrestricted	-	2,367,341	-	2,367,341
Investments - restricted	-	2,039,363	-	2,039,363
Deposits	4,194	-	-	4,194
Prepaid expenses	206,584	-	-	206,584
Total current assets	502,007	4,421,210	-	4,923,217
Land, buildings and equipment, net	137,807	24,127,713	-	24,265,520
Other assets	2,543	-	-	2,543
<b>TOTAL ASSETS</b>	<b>\$ 642,357</b>	<b>\$ 28,548,923</b>	<b>\$ -</b>	<b>\$ 29,191,280</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 31,451	\$ 292	\$ -	\$ 31,743
Accrued expenses	68,818	-	-	68,818
Deferred revenue	-	100	-	100
Insurance note payable	206,584	-	-	206,584
Total current liabilities	306,853	392	-	307,245
<b>NET ASSETS</b>				
Without donor restrictions	96,556	26,509,168	-	26,605,724
With donor restrictions	238,948	2,039,363	-	2,278,311
<b>TOTAL NET ASSETS</b>	<b>335,504</b>	<b>28,548,531</b>	<b>-</b>	<b>28,884,035</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 642,357</b>	<b>\$ 28,548,923</b>	<b>\$ -</b>	<b>\$ 29,191,280</b>

See independent auditors report.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2017**

	<b>Clubs</b>		<b>Foundation</b>		<b>Eliminating</b>	<b>Consolidated</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Entries</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>						
Program and activity fees	\$ 1,102,242	\$ -	\$ -	\$ -	\$ -	\$ 1,102,242
Contributions	124,263	57,926	-	-	-	182,189
Foundation contributions	1,140,000	-	-	-	(1,140,000)	-
Grants	351,796	181,022	-	-	-	532,818
In-kind revenue	944,728	-	-	-	-	944,728
Special events	148,002	-	-	-	-	148,002
Interest income	854	-	-	-	-	854
Investment income	-	-	295,362	206,563	-	501,925
Rent	-	-	74,596	-	-	74,596
Bad debt recovery	6,300	-	-	-	-	6,300
Other	267	-	-	-	-	267
Total support and revenues	<u>3,818,452</u>	<u>238,948</u>	<u>369,958</u>	<u>206,563</u>	<u>(1,140,000)</u>	<u>3,493,921</u>
Net assets released from restrictions						
Satisfaction of program requirements	<u>18,660</u>	<u>(18,660)</u>	<u>176,398</u>	<u>(176,398)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUES AFTER NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>3,837,112</u>	<u>220,288</u>	<u>546,356</u>	<u>30,165</u>	<u>(1,140,000)</u>	<u>3,493,921</u>
<b>EXPENSES</b>						
Program services	3,450,537	-	1,601,186	-	(1,140,000)	3,911,723
Management and general	490,875	-	73,185	-	-	564,060
Fundraising	<u>186,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,580</u>
<b>TOTAL EXPENSES</b>	<u>4,127,992</u>	<u>-</u>	<u>1,674,371</u>	<u>-</u>	<u>(1,140,000)</u>	<u>4,662,363</u>
<b>CHANGE IN NET ASSETS</b>	<u>(290,880)</u>	<u>220,288</u>	<u>(1,128,015)</u>	<u>30,165</u>	<u>-</u>	<u>(1,168,442)</u>
<b>NET ASSETS - BEGINNING</b>	<u>387,436</u>	<u>18,660</u>	<u>27,637,183</u>	<u>2,009,198</u>	<u>-</u>	<u>30,052,477</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 96,556</u>	<u>\$ 238,948</u>	<u>\$ 26,509,168</u>	<u>\$ 2,039,363</u>	<u>\$ -</u>	<u>\$ 28,884,035</u>

See independent auditors report.