

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2013

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of 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, 2013, 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.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Boys and Girls Clubs of the Emerald Coast, Inc. and Subsidiary
Independent Auditors' Report - Continued

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Boys and Girls Clubs of the Emerald Coast, Inc. and Subsidiary's 2012 consolidated financial statements and, in our report dated April 10, 2013, we expressed an unmodified opinion on those consolidated financial statements.

Other Matter

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 16 - 17 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.

Warren Overett, LLC
Destin, Florida
April 30, 2014

CONSOLIDATED FINANCIAL STATEMENTS

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 326,050	\$ 3,902,548
Restricted cash	135,363	75,377
Grants receivable	87,734	105,843
Contributions receivable	501,961	649,653
Related party receivables	107,994	50,886
Investments - unrestricted	6,087,677	6,268,258
Investments - restricted	1,704,715	1,338,890
Land, buildings and equipment, net	25,931,149	23,316,792
Deposits	1,694	194
TOTAL ASSETS	<u><u>\$ 34,884,337</u></u>	<u><u>\$ 35,708,441</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 60,547	\$ 208,126
Retainage payable	-	139,172
Accrued expenses	40,842	12,262
Total liabilities	<u>101,389</u>	<u>359,560</u>
NET ASSETS		
Unrestricted	32,558,500	33,284,961
Temporarily restricted	629,057	952,358
Permanently restricted	1,595,391	1,111,562
Total net assets	<u>34,782,948</u>	<u>35,348,881</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 34,884,337</u></u>	<u><u>\$ 35,708,441</u></u>

See notes to consolidated financial statements.

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013</u>	<u>2012</u>
SUPPORT AND REVENUES					
Contributions	\$ 265,629	\$ -	\$ 483,829	\$ 749,458	\$ 303,149
In-kind revenue	308,004	-	-	308,004	1,159,067
Grants	349,281	-	-	349,281	375,908
Special events	48,825	-	-	48,825	49,525
Program and activity fees	702,088	-	-	702,088	785,567
Investment income	678,700	28,805	-	707,505	1,140,583
Rent	9,688	-	-	9,688	1,855
Gain on disposal of land	5,771	-	-	5,771	1,500
Total support and revenues	2,367,986	28,805	483,829	2,880,620	3,817,154
Net assets released from restrictions	352,106	(352,106)	-	-	-
TOTAL SUPPORT AND REVENUES AFTER NET ASSETS RELEASED FROM RESTRICTION	<u>2,720,092</u>	<u>(323,301)</u>	<u>483,829</u>	<u>2,880,620</u>	<u>3,817,154</u>
EXPENSES					
Program expenses	2,722,485	-	-	2,722,485	2,997,769
Management and general	595,671	-	-	595,671	412,801
Fundraising	128,397	-	-	128,397	134,767
TOTAL EXPENSES	<u>3,446,553</u>	<u>-</u>	<u>-</u>	<u>3,446,553</u>	<u>3,545,337</u>
CHANGE IN NET ASSETS	(726,461)	(323,301)	483,829	(565,933)	271,817
NET ASSETS AT BEGINNING OF YEAR	<u>33,284,961</u>	<u>952,358</u>	<u>1,111,562</u>	<u>35,348,881</u>	<u>35,077,064</u>
NET ASSETS AT END OF YEAR	<u>\$32,558,500</u>	<u>\$ 629,057</u>	<u>\$ 1,595,391</u>	<u>\$34,782,948</u>	<u>\$35,348,881</u>

See notes to consolidated financial statements.

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2013</u>	<u>2012</u>
EXPENSES					
Wages and related expenses					
Wages	\$ 1,085,712	\$ 341,389	\$ 62,239	\$1,489,340	\$1,418,210
Employee benefits	66,443	20,866	3,723	91,032	161,814
Payroll taxes	87,317	41,902	4,761	133,980	118,257
Pension	9,364	2,944	537	12,845	3,687
Total wages and related expenses	<u>1,248,836</u>	<u>407,101</u>	<u>71,260</u>	<u>1,727,197</u>	<u>1,701,968</u>
Other expenses					
Conferences and meetings	3,731	34,336	-	38,067	31,499
Contract labor	12,288	-	306	12,594	37,529
Curriculum expense	186,763	-	-	186,763	138,975
Depreciation	296,550	7,600	2,254	306,404	282,424
Dues and Subscriptions	1,337	20,151	-	21,488	20,340
Fundraising	10,349	-	35,005	45,354	28,684
Insurance	155,369	2,898	-	158,267	118,666
Interest	-	32	-	32	2,869
Investment fees	36,501	-	-	36,501	83,596
Marketing	-	3,000	7,808	10,808	9,689
Miscellaneous	1,747	19,427	-	21,174	9,556
Office	92,296	29,304	11,764	133,364	134,508
Professional fees	7,127	47,427	-	54,554	48,736
Rent	394,116	10,806	-	404,922	398,822
Repairs and maintenance	8,741	-	-	8,741	26,163
Scholarships awarded	2,207	-	-	2,207	2,228
Bad debt expense	-	-	-	-	173,044
Taxes	51,450	-	-	51,450	32,885
Transportation	39,580	-	-	39,580	42,354
Utilities	173,497	13,589	-	187,086	220,802
Total other expenses	<u>1,473,649</u>	<u>188,570</u>	<u>57,137</u>	<u>1,719,356</u>	<u>1,843,369</u>
TOTAL EXPENSES	<u><u>\$ 2,722,485</u></u>	<u><u>\$ 595,671</u></u>	<u><u>\$ 128,397</u></u>	<u><u>\$3,446,553</u></u>	<u><u>\$3,545,337</u></u>

See notes to consolidated financial statements.

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (565,933)	\$ 271,817
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation	306,404	282,424
Bad debt expense	-	173,044
Investment income	(467,005)	(942,022)
Gain on disposal of land, property and equipment	(5,771)	(1,500)
(Increase) decrease in assets:		
Membership fees receivable	-	(173,044)
Grants receivable	18,109	50,188
Related party receivables	(57,108)	(40,199)
Contribution receivable	147,692	(649,653)
Deposits	(1,500)	(150)
Increase (decrease) in liabilities:		
Accounts payable	(147,579)	25,714
Accrued expenses	28,580	399
Retainage payable	(139,172)	114,172
Net cash used in operating activities	<u>(883,283)</u>	<u>(888,810)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of investments	10,543,246	10,500,263
Purchase of investments	(10,261,484)	(4,362,814)
Purchase of land, building, and equipment	(2,925,591)	(2,111,619)
Proceeds from sale of land	<u>10,600</u>	<u>1,500</u>
Net cash provided by (used in) investing activities	<u>(2,633,229)</u>	<u>4,027,330</u>
INCREASE (DECREASE) IN CASH	<u>(3,516,512)</u>	<u>3,138,520</u>
CASH AT BEGINNING OF YEAR	<u>3,977,925</u>	<u>839,405</u>
CASH AT END OF YEAR	<u><u>\$ 461,413</u></u>	<u><u>\$ 3,977,925</u></u>
RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION		
Cash	\$ 326,050	\$ 3,902,548
Restricted	<u>135,363</u>	<u>75,377</u>
Total cash at end of year	<u><u>\$ 461,413</u></u>	<u><u>\$ 3,977,925</u></u>

See notes to consolidated financial statements.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION

Description 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 intrer-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 are recorded as received and allowances are provided for amounts if determined to be uncollectible.

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 CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION - CONTINUED

Financial Statement Presentation

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

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. Board designated or appropriated amounts are reported as part of the unrestricted class since the Board has the authority to change or withdraw such designations or appropriations.
- Temporarily restricted net assets contain donor-imposed restrictions that require the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.
- Permanently restricted net assets contain donor-restricted endowment funds where the original value of the gift is to be held in perpetuity.

Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, the Organization considers all unrestricted highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

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.

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, 2013, management considers all outstanding receivables to be collectible and accordingly, no allowance for doubtful accounts has been recorded.

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION - CONTINUED

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 temporarily restricted net assets to unrestricted net assets 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 unrestricted net assets, 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 is entitled to receive the vacation days accrued for the current calendar year only. The Organization was not liable for any accrued compensated absences at December 31, 2013.

Restricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions.

Donated Space, Materials and Services

Donated space and materials are reflected in the accompanying statements at their estimated fair values. 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.

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION - CONTINUED

Income Taxes

The Organization has been granted an exemption from income taxes under Internal Revenue Code, Section 501(c)(3) as a not-for-profit corporation. The Organization is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles. The Organization annually files Form 990 as required for not-for-profit entities. These returns are subject to examination by the applicable taxing authorities for the last three preceding years.

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, 2012, from which the summarized information was derived.

Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent Events

The Organization has evaluated events and transactions that occurred between December 31, 2013 and April 30, 2014, which is the date the financial statements were available to be issued, for possible recognition of disclosure in the financial statements.

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable represents a donors' unconditional promises to give as of December 31, 2013. The balance is comprised of \$2,228 of individual contributions receivable and \$499,733 for the use of facilities for a specified period of time that is reported as temporarily restricted support at its fair value at the date of the gift. Recognition of contributions receivable at December 31, 2013 is expected as follows:

Due within one year	\$ 152,148
Due in one to five years	349,813
	<u>\$ 501,961</u>

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. CONTRIBUTIONS RECEIVABLE - CONTINUED

The facilities use contribution receivable originated during 2012 from an agreement between the Organization and Santa Rosa County for the use of a facility, including utilities, in Milton, Florida for five (5) years, effective February 10, 2012.

3. RELATED PARTY RECEIVABLES

The Organization's related party receivables at December 31, 2013 consisted of \$107,994 due from the Florida Alliance of Boys and Girls Clubs related to grant revenues earned, but not yet received as of December 31, 2013.

4. INVESTMENTS

The Organization's investments at December 31, 2013 are recorded at fair value as summarized below:

	Cost	Fair Value	Carrying Value
Mutual Funds	<u>\$ 7,325,424</u>	<u>\$ 7,792,392</u>	<u>\$ 7,792,392</u>

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

Investments - unrestricted	\$ 6,087,677
Investments - restricted	1,704,715
Totals	<u>\$ 7,792,392</u>

Investment income in the Consolidated Statement of Activities consisted of the following for the year ended December 31, 2013:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 212,954	\$ 27,546	\$ 240,500
Realized gain	217,312	-	217,312
Unrealized gain	248,434	1,259	249,693
Total	<u>\$ 678,700</u>	<u>\$ 28,805</u>	<u>\$ 707,505</u>

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

5. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at December 31, 2013 consisted of the following:

Buildings and improvements	\$ 14,576,286
Land and improvements	12,196,618
Furniture and equipment	572,921
Vehicles	450,905
	<u>27,796,730</u>
Less accumulated depreciation	(1,865,581)
Total land, buildings, and equipment, net	<u>\$ 25,931,149</u>

Depreciation expense for the year ended December 31, 2013 was \$306,404.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 consisted of the following:

Amounts restricted for programming activities at the South Walton County Club facility	\$ 109,324
Amounts restricted for the DeFuniak Springs Club Facility - outside travel	20,000
Amounts restricted for use of facility and utilities in Milton, Florida	499,733
Total	<u>\$ 629,057</u>

7. 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 the Organization's permanently restricted net assets 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 permanently restricted net assets 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 that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

7. ENDOWMENT FUNDS – CONTINUED

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.

Endowment net asset composition by type of fund as of December 31, 2013:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment fund established in 2011 to benefit the South Walton County Club in Santa Rosa Beach, Florida	<u>\$ 109,324</u>	<u>\$ 1,595,391</u>	<u>\$ 1,704,715</u>

Changes in endowment net assets for the year ended December 31, 2013:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 80,519	\$ 1,111,562
Contributions	-	483,829
Investment income	<u>28,805</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 109,324</u>	<u>\$ 1,595,391</u>

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

7. ENDOWMENT FUNDS – CONTINUED

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.

8. 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, 2013 totaled \$12,845.

9. CONTRIBUTED FACILITIES

The Organization receives use of various facilities, including utilities, without payment. When the value of such 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, 2013, the Organization recorded in-kind rent and utilities of \$303,414.

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

10. GRANTS

The Organization was awarded the 21st Century Community Learning Centers Grant with a total funding amount of \$304,036 for the period of August 2013 through July 2014. All funding is received upon submission and approval of requests for reimbursement of qualifying expenditures. Total qualifying expenditures incurred through December 31, 2013 were \$82,943. Grants receivable related to the 21st Century Community Learning Centers Grant at December 31, 2013 was \$82,943.

During 2013, the Organization was awarded its appropriations of the Florida Department of Education (DOE) and Florida Department of Juvenile Justice (DJJ) Legislative Grant through the Florida Alliance of Boys & Girls Clubs with a total funding amount of \$255,028 for the period July 1, 2013 through June 30, 2014. All funding is received upon submission and approval of requests for reimbursement of qualifying expenditures. Total qualifying expenditures incurred through December 31, 2013 were \$94,133. The amount receivable from the Florida Alliance Boys & Girls Clubs related to the 2013-2014 DOE and DJJ Legislative Grant at December 31, 2013 was \$89,010. An additional \$18,955 is receivable from the Florida Alliance Boys & Girls Clubs at December 31, 2013 in relation to the 2012-2013 DJJ Legislative Grant.

SUPPLEMENTARY INFORMATION

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

	ASSETS		Eliminating Entries	Consolidated Total
	Clubs	Foundation		
Cash	\$ 220,299	\$ 105,751	\$ -	\$ 326,050
Restricted cash	20,000	115,363	-	135,363
Grants receivable	87,734	-	-	87,734
Contribution receivable	501,961	-	-	501,961
Related party receivables	113,777	-	(5,783)	107,994
Investments - unrestricted	-	6,087,677	-	6,087,677
Investments - restricted	-	1,704,715	-	1,704,715
Land, buildings and equipment, net	459,824	25,471,325	-	25,931,149
Deposits	1,694	-	-	1,694
TOTAL ASSETS	<u>\$ 1,405,289</u>	<u>\$ 33,484,831</u>	<u>\$ (5,783)</u>	<u>\$ 34,884,337</u>
LIABILITIES & NET ASSETS				
LIABILITIES				
Accounts payable	\$ 56,377	\$ 9,953	\$ (5,783)	\$ 60,547
Accrued expenses	40,842	-	-	40,842
Total liabilities	<u>97,219</u>	<u>9,953</u>	<u>(5,783)</u>	<u>101,389</u>
NET ASSETS				
Unrestricted	788,337	31,770,163	-	32,558,500
Temporarily restricted	519,733	109,324	-	629,057
Permanently restricted	-	1,595,391	-	1,595,391
Total net assets	<u>1,308,070</u>	<u>33,474,878</u>	<u>-</u>	<u>34,782,948</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,405,289</u>	<u>\$ 33,484,831</u>	<u>\$ (5,783)</u>	<u>\$ 34,884,337</u>

See independent auditors' report.

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Clubs		Foundation			Eliminating	Consolidated
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Entries	Total
SUPPORT AND REVENUES							
Contributions	\$ 265,629	\$ -	\$ -	\$ -	\$ 483,829	\$ -	\$ 749,458
Foundation contributions	4,380,981	-	-	-	-	(4,380,981)	-
In-kind revenue	701,904	-	-	-	-	(393,900)	308,004
Grants	349,281	-	-	-	-	-	349,281
Special events	48,825	-	-	-	-	-	48,825
Program and activity fees	702,088	-	-	-	-	-	702,088
Contribution of land and property	(12,646,382)	-	12,646,382	-	-	-	-
Investment income	931	-	677,769	28,805	-	-	707,505
Rent	148	-	9,540	-	-	-	9,688
Gain on disposal of land	-	-	5,771	-	-	-	5,771
Total support and revenues	(6,196,595)	-	13,339,462	28,805	483,829	(4,774,881)	2,880,620
Net assets released from restrictions	205,297	(205,297)	146,809	(146,809)	-	-	-
TOTAL SUPPORT AND REVENUES AFTER NET ASSETS RELEASED FROM RESTRICTION	(5,991,298)	(205,297)	13,486,271	(118,004)	483,829	(4,774,881)	2,880,620
EXPENSES							
Program expenses	2,810,670	-	4,686,696	-	-	(4,774,881)	2,722,485
Management and general	565,471	-	30,200	-	-	-	595,671
Fundraising	126,615	-	1,782.00	-	-	-	128,397
TOTAL EXPENSES	3,502,756	-	4,718,678	-	-	(4,774,881)	3,446,553
CHANGE IN NET ASSETS	(9,494,054)	(205,297)	8,767,593	(118,004)	483,829	-	(565,933)
NET ASSETS AT BEGINNING OF YEAR	10,282,391	725,030	23,002,570	227,328	1,111,562	-	35,348,881
NET ASSETS AT END OF YEAR	\$ 788,337	\$ 519,733	\$ 31,770,163	\$ 109,324	\$ 1,595,391	\$ -	\$ 34,782,948

See independent auditors' report.