

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2015**

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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, 2015, 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, 2015 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***

Warren Averett, LLC had previously audited Boys and Girls Clubs of the Emerald Coast, Inc. and Subsidiary's financial statements and their report dated May 1, 2015 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, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***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.

The logo for Coastal Accounting is written in a large, elegant, cursive script. The word "Coastal" is on the top line and "Accounting" is on the bottom line, with the two words flowing together.

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

Destin, FL  
June 23, 2016

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014)**

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**ASSETS**

	<b>2015</b>	<b>2014</b>
Current assets		
Cash - unrestricted	\$ 125,789	\$ 313,976
Cash - restricted	92,297	39,230
Grants receivable	-	24,204
Contributions receivable, net	1,734	350,717
Related party receivables	61,789	52,241
Rents receivable	-	3,220
Investments - unrestricted	4,048,902	5,188,001
Investments - restricted	2,017,246	2,090,091
Deposits	2,500	4,194
Prepaid expenses	237,903	-
Total current assets	<u>6,588,160</u>	<u>8,065,874</u>
Land, buildings and equipment, net	25,281,811	25,794,997
Other assets	<u>4,565</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>31,874,536</u></b>	<b>\$ <u>33,860,871</u></b>

**LIABILITIES**

Current liabilities		
Accounts payable	\$ 19,393	\$ 46,325
Accrued expenses	64,751	42,119
Deferred revenue	100	100
Insurance notes payable	236,209	-
Total current liabilities	<u>320,453</u>	<u>88,544</u>

**NET ASSETS**

Unrestricted	29,444,540	31,273,780
Temporarily restricted	109,543	498,547
Permanently restricted	<u>2,000,000</u>	<u>2,000,000</u>
<b>TOTAL NET ASSETS</b>	<b><u>31,554,083</u></b>	<b><u>33,772,327</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>31,874,536</u></b>	<b>\$ <u>33,860,871</u></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, 2015**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2014</u>
<b>SUPPORT AND REVENUES</b>					
Program and activity fees	\$ 937,265	\$ -	\$ -	\$ 937,265	\$ 828,383
Contributions	172,976	-	-	172,976	578,093
Grants	300,863	109,000	-	409,863	450,289
In-kind revenue	1,191,311	-	-	1,191,311	403,313
Special events	118,314	-	-	118,314	82,514
Investment income	(43,937)	(72,844)	-	(116,781)	442,428
Rent	20,874	-	-	20,874	31,122
Other	(209,665)	-	-	(209,665)	14,689
Total other revenue	<u>2,488,001</u>	<u>36,156</u>	<u>-</u>	<u>2,524,157</u>	<u>2,830,831</u>
Net assets released from restrictions:					
Satisfaction of program requirements	<u>425,160</u>	<u>(425,160)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUES AFTER NET ASSETS RELEASED FROM RESTRICTIONS</b>	2,913,161	(389,004)	-	2,524,157	-
<b>EXPENSES</b>					
Program services	4,059,704	-	-	4,059,704	3,091,633
Management and general	502,658	-	-	502,658	491,583
Fundraising	<u>180,039</u>	<u>-</u>	<u>-</u>	<u>180,039</u>	<u>258,236</u>
<b>TOTAL EXPENSES</b>	4,742,401	-	-	4,742,401	3,841,452
<b>CHANGE IN NET ASSETS</b>	(2,254,400)	36,156	-	(2,218,244)	(1,010,621)
<b>NET ASSETS - BEGINNING</b>	<u>31,273,780</u>	<u>498,547</u>	<u>2,000,000</u>	<u>33,772,327</u>	<u>34,782,948</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 29,444,540</u>	<u>\$ 109,543</u>	<u>\$ 2,000,000</u>	<u>\$ 31,554,083</u>	<u>\$ 33,772,327</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, 2015**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014)**

				<b>Total</b>	
	<b>Program Expenses</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2015</b>	<b>2014</b>
<b>EXPENSES</b>					
Wages and related benefits					
Wages	\$ 1,244,692	\$ 285,305	\$ 75,496	\$ 1,605,493	\$ 1,537,236
Employee benefits	145,595	42,894	11,029	199,518	180,291
Payroll taxes	93,338	21,453	5,934	120,725	113,172
Pension	12,434	4,478	1,209	18,121	18,130
Total wages and related benefits	<u>1,496,059</u>	<u>354,130</u>	<u>93,668</u>	<u>1,943,857</u>	<u>1,848,829</u>
Other expenses					
Depreciation	494,662	8,488	2,760	505,910	465,759
Rent	1,157,364	11,770	3,810	1,172,944	436,104
Utilities	229,196	23,110	2,399	254,705	241,710
Curriculum expense	86,875	-	-	86,875	117,614
Insurance	170,985	24,538	11,981	207,504	188,157
Office	61,828	22,413	5,339	89,580	102,800
Professional fees	19,093	20,519	1,331	40,943	37,649
Loss on disposal of asset	18,665	-	-	18,665	-
Fundraising	10,672	-	31,929	42,601	75,087
Property Taxes	59,080	-	-	59,080	55,860
Investment fees	41,624	-	-	41,624	46,565
Repairs and maintenance	89,213	-	-	89,213	87,908
Transportation	31,286	-	-	31,286	35,416
Conferences and meetings	21,541	23,407	958	45,906	30,968
Miscellaneous	20,164	12,671	812	33,647	27,389
Marketing	-	-	18,750	18,750	8,105
Dues and Subscriptions	21,086	1,612	6,302	29,000	23,661
Bad debt expense	16,791	-	-	16,791	1,228
Awards and recognition	13,520	-	-	13,520	10,643
Total operating expenses	<u>2,563,645</u>	<u>148,528</u>	<u>86,371</u>	<u>2,798,544</u>	<u>1,992,623</u>
<b>TOTAL EXPENSES</b>	<u>\$ 4,059,704</u>	<u>\$ 502,658</u>	<u>\$ 180,039</u>	<u>\$ 4,742,401</u>	<u>\$ 3,841,452</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, 2015**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2015</b>	<b>2014</b>
Change in net assets	\$ (2,218,244)	\$ (1,010,621)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	505,910	465,759
Investment (income) loss	116,781	(202,682)
Bad debt expense	16,791	1,228
(Increase) decrease in assets		
Grants receivable	24,204	63,530
Contributions receivable, net	332,192	150,016
Related party receivables	(9,548)	55,753
Rents receivable	3,220	(3,220)
Deposits	1,694	(2,500)
Prepaid expenses	(237,903)	-
Other assets	(4,565)	-
Increase (decrease) in liabilities		
Accounts payable	(26,932)	(14,222)
Accrued expenses	22,632	1,277
Deferred revenue	-	100
Net cash flows from operating activities	<u>(1,473,768)</u>	<u>(495,582)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from sale of investments	2,298,150	3,897,820
Purchase of investments	(1,202,987)	(3,180,838)
Purchase of land, building and equipment	-	(329,607)
Purchase of property and equipment	(11,390)	-
Disposal of property and equipment	18,666	-
Net cash flows from investing activities	<u>1,102,439</u>	<u>387,375</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from insurance note payable	<u>236,209</u>	<u>-</u>
<b>NET CHANGE IN CASH</b>	(135,120)	(108,207)
<b>CASH AT BEGINNING OF YEAR</b>	<u>353,206</u>	<u>461,413</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 218,086</u></u>	<u><u>\$ 353,206</u></u>
<b>RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION</b>		
Cash - unrestricted	\$ 125,789	\$ 313,976
Cash - restricted	<u>92,297</u>	<u>39,230</u>
Total cash at end of year	<u><u>\$ 218,086</u></u>	<u><u>\$ 353,206</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 FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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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 interentity 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 FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

***Revenue Recognition***

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, 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 portions of those promises are reported at their present value as temporarily restricted net assets. As these assets become current, temporarily restricted net assets are reclassified to unrestricted net assets 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) Codification Standards for not-for-profit entities. Under the Codification Standards, the Organization is required to report the information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - Net assets not restricted by donors, or 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 - Net assets which contain donor-imposed restrictions that require the organization to use or expend the assets as specified. The restrictions are satisfied by either the passage of time or actions taken by the organization.

Permanently restricted net assets – 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.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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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, 2015. 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, 2015 the Organization had total contributions receivable of \$13,734 and an allowance of \$12,000.

***Prepaid expenses***

Prepaid expenses include of insurance policies for which coverage was in place as of December 31, 2015. Total prepaid insurance of \$236,209 is included in the total of \$237,903 listed on the balance sheet.

***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 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, 2015.

***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.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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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.

*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, 2014 (which were audited by Warren Averrett LLC), 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.

**NOTE 2 – RELATED PARTY RECEIVABLES**

The Organization's related party receivables at December 31, 2015 consisted of \$61,789 due from the Florida Alliance of Boys and Girls Clubs related to grant revenues earned, but not yet received as of December 31, 2015.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE 3 – INVESTMENTS**

The following is a summary of the investments held by the Organization at December 31, 2015:

<b>Asset</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cumulative Unrealized Gain (Loss)</b>
<i>Investments</i>			
Mutual funds	\$ 6,020,290	\$ 6,020,747	\$ 457
Cash accounts	45,401	45,401	-
<b>Total</b>	<b>\$ 6,065,691</b>	<b>\$ 6,066,148</b>	<b>\$ 457</b>

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

Investments - unrestricted	\$ 4,048,902
Investments - restricted	<u>2,017,246</u>
Totals	<u><u>\$ 6,066,148</u></u>

Investment income in the Consolidated Statement of Activities consisted of the following for the year ended December 31, 2015:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Interest and dividends	\$ 118,837	\$ 81,751	\$ 200,588
Realized gain (loss)	53,341	(17,391)	35,950
Unrealized gain (loss)	<u>(216,115)</u>	<u>(137,204)</u>	<u>(353,319)</u>
Total	<u><u>\$ (43,937)</u></u>	<u><u>\$ (72,844)</u></u>	<u><u>\$ (116,781)</u></u>

**NOTE 4 – LAND, BUILDINGS, AND EQUIPMENT, NET**

Land, buildings and equipment at December 31, 2015 is summarized as follows:

Buildings and improvements	\$ 14,754,560
Land and improvements	12,196,618
Furniture and equipment	503,485
Vehicles	<u>561,052</u>
	28,015,715
Less accumulated depreciation	<u>(2,733,904)</u>
Land buildings and equipment, net	<u><u>\$ 25,281,811</u></u>

Depreciation expense for the year ended December 31, 2015 was \$505,910.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2015 consisted of the following:

Programming activities at the South Walton County Club Facility	\$	17,246
Defuniak Springs Club facility - outside travel		11,630
DW McMillan - Escambia county scholarships		5,000
Healthy Lifestyles Program		6,500
"More Members, More Often" - scholarships		66,667
PNS Teen Program		2,500
Total	\$	<u>109,543</u>

**NOTE 6 – 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.

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 FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE 6 – ENDOWMENT FUNDS (CONTINUED)**

Endowment net asset composition by type of fund as of December 31, 2015:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment fund established in 2011 to benefit the South Walton County Club in Santa Rosa Beach, Florida	\$ <u>17,246</u>	\$ <u>2,000,000</u>	\$ <u>2,017,246</u>

Changes in endowment net assets for the year ended December 31, 2015:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 90,091	\$ 2,000,000
Contributions	-	-
Disbursements to benefit South Walton County Club	-	-
Investment income	(72,845)	-
Endowment net assets, end of year	\$ <u>17,246</u>	\$ <u>2,000,000</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.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE 7 – INSURANCE NOTES PAYABLE**

In December 2015 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 totaling approximately 3% of the balances financed.

**NOTE 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, 2015 totaled \$18,121.

**NOTE 9 – CONTINGENCIES**

The insurance policy for windstorm coverage became effective December 2015. The hurricane deductible amount is \$740,356 which represents 5% of the insured value of the buildings and improvements which are listed on the policies at \$14,807,130.

**NOTE 10 – DONATED SPACE, MATERIALS AND SERVICES**

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, 2015, the Organization recorded in-kind rent and utilities of \$1,169,700.

In addition, the Organization received donated materials and supplies for curriculum, awards and recognition, and fundraising events totaling approximately \$21,611.

**NOTE 11 – GRANTS**

During 2015, 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 \$146,056 for the period of July 1, 2015 through June 30, 2016. All funding is received upon submission and approval of requests for reimbursement of qualifying expenditures. Total qualifying expenditures for the funding periods of July 1, 2014 through June 30, 2015 and July 1, 2015 through June 30, 2016 incurred through December 31, 2015 were \$116,456 and \$100,510 respectively. The amount receivable from the Florida Alliance of Boys & Girls Clubs related to the 2015-2016 DOE and DJJ Legislative Grant at December 31, 2015 was \$45,686 and is included in the related party receivables at year-end.

In addition, the Organization accepted a grant agreement in November 2014 awarding them \$38,826 from Southface Energy Institute for the purpose of supporting capital improvement costs at the Teen Center gym located at the Fort Walton Beach facility. As of January 31, 2015, \$19,413 was receivable on this grant. Total qualifying expenses incurred and reimbursed through December 31, 2015 were \$19,413, resulting in a complete expenditure and reimbursement for this grant in the amount of \$38,826.



**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 – COMMITMENTS**

In 2014, the Organization entered into a Land Purchase Contract to sell a parcel of its land located in Walton County, Florida for a sales price of \$5,000,000. The Organization received a non-refundable earnest money deposit in the amount of \$100 with an additional refundable deposit of \$50,000 held in escrow. On April 1, 2015, an amendment to the Land Purchase Contract was ratified requiring additional earnest money of \$75,000 to be deposited into escrow, of which \$35,000 was non-refundable. The amended contract stipulated that the closing must occur no later than October 15, 2015. As no closing took place as of October 15, 2015, the \$90,000 held in escrow was released back to the purchaser, and the non-refundable portion of \$35,100 was retained by the Organization.

**NOTE 13 – SUBSEQUENT EVENTS**

The Organization has evaluated events through June 23, 2016 (the date the financial statements were available to be issued) and determined no events occurred which require accrual or disclosure in the financial statements for the year ended December 31, 2015.

## **SUPPLEMENTARY INFORMATION**

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

	<u>Clubs</u>	<u>Foundation</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
<b>ASSETS</b>				
Current assets				
Cash - unrestricted	\$ 94,003	\$ 31,786	\$ -	\$ 125,789
Cash - restricted	92,297	-	-	92,297
Contributions receivable, net	1,734	-	-	1,734
Related party receivables	61,789	-	-	61,789
Investments - unrestricted	-	4,048,902	-	4,048,902
Investments - restricted	-	2,017,246	-	2,017,246
Deposits	2,500	-	-	2,500
Prepaid expenses	237,903	-	-	237,903
Land, buildings and equipment, net	316,879	24,964,932	-	25,281,811
Other assets	4,565	-	-	4,565
<b>TOTAL ASSETS</b>	<u>\$ 811,670</u>	<u>\$ 31,062,866</u>	<u>\$ -</u>	<u>\$ 31,874,536</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 9,800	\$ 9,593	\$ -	\$ 19,393
Accrued expenses	64,751	-	-	64,751
Deferred revenue	-	100	-	100
Insurance note payable	236,209	-	-	236,209
Total current liabilities	<u>310,760</u>	<u>9,693</u>	<u>-</u>	<u>320,453</u>
<b>NET ASSETS</b>				
Unrestricted	408,614	29,035,926	-	29,444,540
Temporarily restricted	92,296	17,247	-	109,543
Permanently restricted	-	2,000,000	-	2,000,000
<b>TOTAL NET ASSETS</b>	<u>500,910</u>	<u>31,053,173</u>	<u>-</u>	<u>31,554,083</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 811,670</u>	<u>\$ 31,062,866</u>	<u>\$ -</u>	<u>\$ 31,874,536</u>

See independent auditors report.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2015**

	<b>Clubs</b>		<b>Foundation</b>			<b>Eliminating</b>	<b>Consolidated</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Entries</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>							
Program and activity fees	\$ 937,265	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 937,265
Contributions	172,976	-	-	-	-	-	172,976
Foundation contributions	1,000,000	-	-	-	-	(1,000,000)	-
Grants	300,863	109,000	-	-	-	-	409,863
In-kind revenue	1,191,311	-	-	-	-	-	1,191,311
Special events	118,314	-	-	-	-	-	118,314
Investment income	3,537	-	(47,474)	(72,844)	-	-	(116,781)
Rent	-	-	20,874	-	-	-	20,874
Other	(244,665)	-	35,000	-	-	-	(209,665)
Total support and revenues	<u>3,479,601</u>	<u>109,000</u>	<u>8,400</u>	<u>(72,844)</u>	<u>-</u>	<u>(1,000,000)</u>	<u>2,524,157</u>
Net assets released from restrictions							
Satisfaction of program requirements	<u>425,160</u>	<u>(425,160)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUES AFTER NET ASSETS RELEASED FROM RESTRICTION</b>	<b>3,904,761</b>	<b>(316,160)</b>	<b>8,400</b>	<b>(72,844)</b>	<b>-</b>	<b>(1,000,000)</b>	<b>2,524,157</b>
<b>EXPENSES</b>							
Program services	3,565,549	-	1,494,155	-	-	(1,000,000)	4,059,704
Management and general	475,112	-	27,546	-	-	-	502,658
Fundraising	<u>178,257</u>	<u>-</u>	<u>1,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,039</u>
<b>TOTAL EXPENSES</b>	<b>4,218,918</b>	<b>-</b>	<b>1,523,483</b>	<b>-</b>	<b>-</b>	<b>(1,000,000)</b>	<b>4,742,401</b>
<b>CHANGE IN NET ASSETS</b>	<b>(314,157)</b>	<b>(316,160)</b>	<b>(1,515,083)</b>	<b>(72,844)</b>	<b>-</b>	<b>-</b>	<b>(2,218,244)</b>
<b>NET ASSETS - BEGINNING</b>	<u>722,771</u>	<u>408,456</u>	<u>30,551,009</u>	<u>90,091</u>	<u>2,000,000</u>	<u>-</u>	<u>33,772,327</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 408,614</u>	<u>\$ 92,296</u>	<u>\$ 29,035,926</u>	<u>\$ 17,247</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 31,554,083</u>

See independent auditors report.