

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2014**

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
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**DECEMBER 31, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Boys and Girls Clubs of the Emerald Coast, Inc. and Subsidiary

### **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, 2014, 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 the Boys and Girls Clubs of the Emerald Coast, Inc. and Subsidiary as of December 31, 2014, 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.

**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 2013 consolidated financial statements and, in our report dated April 30, 2014, 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.

A handwritten signature in cursive script that reads "Warren Averett, LLC".

Destin, Florida

May 1, 2015

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013)**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash - unrestricted	\$ 313,976	\$ 326,050
Cash - restricted	39,230	135,363
Grants receivable	24,204	87,734
Contributions receivable	350,717	501,961
Related party receivables	52,241	107,994
Rents receivable	3,220	-
Investments - unrestricted	5,188,001	6,087,677
Investments - restricted	2,090,091	1,704,715
Land, buildings and equipment, net	25,794,997	25,931,149
Deposits	4,194	1,694
<b>TOTAL ASSETS</b>	<u><u>\$ 33,860,871</u></u>	<u><u>\$ 34,884,337</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 46,325	60,547
Accrued expenses	42,119	40,842
Non-refundable earnest money deposit	100	-
Total liabilities	<u>88,544</u>	<u>101,389</u>
<b>NET ASSETS</b>		
Unrestricted	31,273,780	32,558,500
Temporarily restricted	498,547	629,057
Permanently restricted	2,000,000	1,595,391
Total net assets	<u>33,772,327</u>	<u>34,782,948</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 33,860,871</u></u>	<u><u>\$ 34,884,337</u></u>

See notes to consolidated financial statements.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014</u>	<u>2013</u>
<b>SUPPORT AND REVENUES</b>					
Program and activity fees	\$ 828,383	\$ -	\$ -	\$ 828,383	\$ 702,088
Contributions	173,484	-	404,609	578,093	749,035
Grants	383,963	66,326	-	450,289	349,281
In-kind revenue	403,313	-	-	403,313	308,004
Special events	82,514	-	-	82,514	49,248
Investment income	349,190	93,238	-	442,428	707,505
Rent	31,122	-	-	31,122	9,688
Other	14,689	-	-	14,689	-
Gain on disposal of land	-	-	-	-	5,771
Total support and revenues	<u>2,266,658</u>	<u>159,564</u>	<u>404,609</u>	<u>2,830,831</u>	<u>2,880,620</u>
Net assets released from restrictions	<u>290,074</u>	<u>(290,074)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUES AFTER NET ASSETS RELEASED FROM RESTRICTION</b>	<u>2,556,732</u>	<u>(130,510)</u>	<u>404,609</u>	<u>2,830,831</u>	<u>2,880,620</u>
<b>EXPENSES</b>					
Program expenses	3,091,633	-	-	3,091,633	2,722,485
Management and general	491,583	-	-	491,583	595,671
Fundraising	258,236	-	-	258,236	128,397
<b>TOTAL EXPENSES</b>	<u>3,841,452</u>	<u>-</u>	<u>-</u>	<u>3,841,452</u>	<u>3,446,553</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,284,720)</u>	<u>(130,510)</u>	<u>404,609</u>	<u>(1,010,621)</u>	<u>(565,933)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>32,558,500</u>	<u>629,057</u>	<u>1,595,391</u>	<u>34,782,948</u>	<u>35,348,881</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$31,273,780</u></u>	<u><u>\$ 498,547</u></u>	<u><u>\$ 2,000,000</u></u>	<u><u>\$33,772,327</u></u>	<u><u>\$34,782,948</u></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, 2014**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013)**

				<b>Total</b>	
	<b>Program Expenses</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2014</b>	<b>2013</b>
<b>EXPENSES</b>					
Wages and related expenses					
Wages	\$ 1,114,202	\$ 288,211	\$ 134,823	\$ 1,537,236	\$ 1,474,400
Employee benefits	132,197	35,615	12,479	180,291	102,076
Payroll taxes	81,747	21,199	10,226	113,172	135,987
Pension	10,167	7,275	688	18,130	10,304
Total wages and related expenses	<u>1,338,313</u>	<u>352,300</u>	<u>158,216</u>	<u>1,848,829</u>	<u>1,722,767</u>
Other expenses					
Depreciation	454,511	8,488	2,760	465,759	306,404
Rent	420,624	11,670	3,810	436,104	404,922
Utilities	218,446	20,786	2,478	241,710	187,086
Curriculum expense	117,614	-	-	117,614	112,480
Insurance	151,485	26,039	10,633	188,157	158,267
Office	74,011	23,776	5,013	102,800	137,380
Professional fees	16,431	20,141	1,077	37,649	69,644
Fundraising	13,951	-	61,136	75,087	55,292
Taxes	55,860	-	-	55,860	51,450
Investment fees	46,565	-	-	46,565	36,501
Repairs and maintenance	87,908	-	-	87,908	53,487
Transportation	35,416	-	-	35,416	39,580
Conferences and meetings	12,113	16,624	2,231	30,968	43,988
Miscellaneous	16,769	9,670	950	27,389	22,478
Marketing	-	-	8,105	8,105	3,000
Dues and Subscriptions	20,973	861	1,827	23,661	21,488
Bad debt expense	-	1,228	-	1,228	-
Contract labor	-	-	-	-	12,288
Awards and recognition	10,643	-	-	10,643	8,051
Total other expenses	<u>1,753,320</u>	<u>139,283</u>	<u>100,020</u>	<u>1,992,623</u>	<u>1,723,786</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 3,091,633</u></u>	<u><u>\$ 491,583</u></u>	<u><u>\$ 258,236</u></u>	<u><u>\$ 3,841,452</u></u>	<u><u>\$ 3,446,553</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, 2014**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013)**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,010,621)	\$ (565,933)
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation	465,759	306,404
Investment income	(202,682)	(467,005)
Bad debt expense	1,228	-
Gain on disposal of land, property and equipment	-	(5,771)
Changes in assets and liabilities:		
Grants receivable	63,530	18,109
Contribution receivable	150,016	147,692
Related party receivables	55,753	(57,108)
Rents receivable	(3,220)	-
Deposits	(2,500)	(1,500)
Accounts payable	(14,222)	(147,579)
Accrued expenses	1,277	28,580
Refundable deposit	100	
Retainage payable	-	(139,172)
Net cash used in operating activities	<u>(495,582)</u>	<u>(883,283)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from sale of investments	3,897,820	10,543,246
Purchase of investments	(3,180,838)	(10,261,484)
Purchase of land, building, and equipment	(329,607)	(2,925,591)
Proceeds from sale of land	-	10,600
Net cash provided by (used in) investing activities	<u>387,375</u>	<u>(2,633,229)</u>
<b>DECREASE IN CASH</b>	<u>(108,207)</u>	<u>(3,516,512)</u>
<b>CASH AT BEGINNING OF YEAR</b>	<u>461,413</u>	<u>3,977,925</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 353,206</u></u>	<u><u>\$ 461,413</u></u>
<b>RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION</b>		
Cash - unrestricted	\$ 313,976	\$ 326,050
Cash - restricted	<u>39,230</u>	<u>135,363</u>
Total cash at end of year	<u><u>\$ 353,206</u></u>	<u><u>\$ 461,413</u></u>

See notes to consolidated financial statements.



**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**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 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, 2014**

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**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, 2014, 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 THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**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, 2014.

**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 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.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**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, 2013, 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, 2014 and May 1, 2015, 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 donors' unconditional promises to give as of December 31, 2014. The balance is comprised of \$904 of individual contributions receivable and \$349,813 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. 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.

As a result of the intended closure of the Milton Club in 2015, as disclosed in Note 12 to the financial statements, the Organization will recognize contributions receivable at December 31, 2014 of \$350,717 within one year.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
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### 3. RELATED PARTY RECEIVABLES

The Organization's related party receivables at December 31, 2014 consisted of \$41,060 and \$11,181 due from the Florida Alliance of Boys and Girls Clubs and the Boys and Girls Clubs of America, respectively, related to grant revenues earned, but not yet received as of December 31, 2014.

### 4. INVESTMENTS

The Organization's investments at December 31, 2014 are recorded at fair value as summarized below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Mutual Funds	<u>\$ 6,811,124</u>	<u>\$ 7,278,092</u>	<u>\$ 7,278,092</u>

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

Investments - unrestricted	\$ 5,188,001
Investments - restricted	<u>2,090,091</u>
Totals	<u>\$ 7,278,092</u>

Investment income in the Consolidated Statement of Activities consisted of the following for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 148,589	\$ 91,157	\$ 239,746
Realized gain	442,878	24,090	466,968
Unrealized gain	<u>(242,277)</u>	<u>(22,009)</u>	<u>(264,286)</u>
Total	<u>\$ 349,190</u>	<u>\$ 93,238</u>	<u>\$ 442,428</u>

### 5. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at December 31, 2014 consisted of the following:

Buildings and improvements	\$ 14,795,747
Land and improvements	12,196,618
Furniture and equipment	497,245
Vehicles	<u>561,052</u>
	28,050,662
Less accumulated depreciation	<u>(2,255,665)</u>
Total land, buildings, and equipment, net	<u>\$ 25,794,997</u>

Depreciation expense for the year ended December 31, 2014 was \$465,759.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
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**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2014 consisted of the following:

Programming activities at the South Walton County Club facility	\$ 90,091
DeFuniak Springs Club facility - outside travel	16,730
DeFuniak Springs Club facility - exercise equipment	15,000
Fort Walton Beach facility - capital improvements	19,413
"More Members, More Often" - scholarships	7,500
Use of facility and utilities in Milton, Florida	<u>349,813</u>
Total	<u><u>\$ 498,547</u></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 THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**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, 2014:

	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total Net Endowment Assets</u></b>
Donor-restricted endowment fund established in 2011 to benefit the South Walton County Club in Santa Rosa Beach, Florida	<u>\$ 90,091</u>	<u>\$2,000,000</u>	<u>\$2,090,091</u>

Changes in endowment net assets for the year ended December 31, 2014:

	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>
Endowment net assets, beginning of year	\$ 109,324	\$1,595,391
Contributions	-	404,609
Disbursements to benefit South Walton County Club	(112,471)	-
Investment income	<u>93,238</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 90,091</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.

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
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**7. ENDOWMENT FUNDS – CONTINUED**

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, 2014 totaled \$18,130.

**9. 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, 2014, the Organization recorded in-kind rent and utilities of \$360,300.

In addition, the Organization received donated materials and supplies for curriculum, awards and recognition, and fundraising events totaling approximately \$43,000.



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**10. GRANTS**

During 2014, 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 \$287,875 for the period July 1, 2014 through June 30, 2015. 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, 2013 through June 30, 2014 and July 1, 2014 through June 30, 2015 incurred through December 31, 2014 were \$118,748 and \$128,574, respectively. The amount receivable from the Florida Alliance Boys & Girls Clubs related to the 2014-2015 DOE and DJJ Legislative Grant at December 31, 2014 was \$41,060, and is included in 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. Total qualifying expenditures incurred and reimbursed through December 31, 2014 were \$19,413, resulting in \$19,413 receivable at December 31, 2014, which is included in grants receivable at year-end and a component of temporarily restricted net assets.

**11. COMMITMENT**

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. As of December 31, 2014, the Organization had received a non-refundable earnest money deposit in the amount of \$100 with an additional refundable deposit of \$50,000 held in escrow. The Organization expects the sale to be completed in the summer of 2015.

**12. SUBSEQUENT EVENTS**

The Organization intends to close its Milton, Florida Club at the end of the 2015 summer programming. Upon closure, the Organization will recognize approximately \$262,000 of unused facility and utilities expense associated with the termination of the use agreement between the Organization and Santa Rosa County.

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 is non-refundable and will be retained by the Organization should the contract be terminated. The amended contract stipulates that closing must occur no later than October 15, 2015.

## **SUPPLEMENTARY INFORMATION**

**BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**

	<u>Clubs</u>	<u>Foundation</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
<b>ASSETS</b>				
Cash - unrestricted	\$ 303,920	\$ 10,056	\$ -	\$ 313,976
Cash - restricted	39,230	-	-	39,230
Grants receivable	24,204	-	-	24,204
Contributions receivable	350,717	-	-	350,717
Related party receivables	57,506	-	(5,265)	52,241
Rents receivable	-	3,220	-	3,220
Investments - unrestricted	-	5,188,001	-	5,188,001
Investments - restricted	-	2,090,091	-	2,090,091
Land, buildings and equipment, net	439,150	25,355,847	-	25,794,997
Deposits	4,194	-	-	4,194
<b>TOTAL ASSETS</b>	<u>\$ 1,218,921</u>	<u>\$ 32,647,215</u>	<u>\$ (5,265)</u>	<u>\$ 33,860,871</u>
<b>LIABILITIES &amp; NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 45,575	\$ 6,015	\$ (5,265)	\$ 46,325
Accrued expenses	42,119	-	-	42,119
Non-refundable earnest money deposit	-	100	-	100
Total liabilities	<u>87,694</u>	<u>6,115</u>	<u>(5,265)</u>	<u>88,544</u>
<b>NET ASSETS</b>				
Unrestricted	722,771	30,551,009	-	31,273,780
Temporarily restricted	408,456	90,091	-	498,547
Permanently restricted	-	2,000,000	-	2,000,000
Total net assets	<u>1,131,227</u>	<u>32,641,100</u>	<u>-</u>	<u>33,772,327</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,218,921</u>	<u>\$ 32,647,215</u>	<u>\$ (5,265)</u>	<u>\$ 33,860,871</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, 2014**

	<u>Clubs</u>		<u>Foundation</u>			<u>Eliminating</u>	<u>Consolidated</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Entries</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>							
Program and activity fees	\$ 828,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 828,383
Contributions	173,484	-	-	-	404,609	-	578,093
Foundation contributions	1,459,908	-	-	-	-	(1,459,908)	-
Grants	383,963	66,326	-	-	-	-	450,289
In-kind revenue	1,132,213	-	-	-	-	(728,900)	403,313
Special events	82,514	-	-	-	-	-	82,514
Contribution of property	(219,461)	-	219,461	-	-	-	-
Investment income	-	-	349,190	93,238	-	-	442,428
Rent	2,389	-	28,733	-	-	-	31,122
Other	14,689	-	-	-	-	-	14,689
Total support and revenues	<u>3,858,082</u>	<u>66,326</u>	<u>597,384</u>	<u>93,238</u>	<u>404,609</u>	<u>(2,188,808)</u>	<u>2,830,831</u>
Net assets released from restrictions	<u>177,603</u>	<u>(177,603)</u>	<u>112,471</u>	<u>(112,471)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUES AFTER NET ASSETS RELEASED FROM RESTRICTION</b>	<u>4,035,685</u>	<u>(111,277)</u>	<u>709,855</u>	<u>(19,233)</u>	<u>404,609</u>	<u>(2,188,808)</u>	<u>2,830,831</u>
<b>EXPENSES</b>							
Program expenses	3,380,233	-	1,900,208	-	-	(2,188,808)	3,091,633
Management and general	464,564	-	27,019	-	-	-	491,583
Fundraising	256,454	-	1,782	-	-	-	258,236
<b>TOTAL EXPENSES</b>	<u>4,101,251</u>	<u>-</u>	<u>1,929,009</u>	<u>-</u>	<u>-</u>	<u>(2,188,808)</u>	<u>3,841,452</u>
<b>CHANGE IN NET ASSETS</b>	(65,566)	(111,277)	(1,219,154)	(19,233)	404,609	-	(1,010,621)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>788,337</u>	<u>519,733</u>	<u>31,770,163</u>	<u>109,324</u>	<u>1,595,391</u>	<u>-</u>	<u>34,782,948</u>
<b>NET ASSETS AT END OF YEAR</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>

See independent auditors' report.