

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016

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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, 2016, 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, 2016 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited Boys and Girls Clubs of the Emerald Coast, Inc. and Subsidiary's financial statements and their report dated June 23, 2016 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, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements of financial position and activities on pages 15 - 16 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Coastal Accounting

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

Destin, FL
June 20, 2017

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

ASSETS	2016	2015
Current assets		
Cash - unrestricted	\$ 190,783	\$ 125,789
Cash - restricted	27,858	92,297
Contributions receivable, net	2,922	1,734
Grants receivable	37,373	61,789
Investments - unrestricted	3,095,957	4,048,902
Investments - restricted	2,009,198	2,017,246
Deposits	4,194	2,500
Prepaid expenses	177,161	237,903
Total current assets	5,545,446	6,588,160
Land, buildings and equipment, net	24,762,936	25,281,811
Other assets	4,649	4,565
TOTAL ASSETS	\$ 30,313,031	\$ 31,874,536
LIABILITIES		
Current liabilities		
Accounts payable	\$ 15,539	\$ 19,393
Accrued expenses	67,754	64,751
Deferred revenue	100	100
Insurance notes payable	177,161	236,209
Total current liabilities	260,554	320,453
NET ASSETS		
Unrestricted	28,024,619	29,444,540
Temporarily restricted	27,858	109,543
Permanently restricted	2,000,000	2,000,000
TOTAL NET ASSETS	30,052,477	31,554,083
TOTAL LIABILITIES AND NET ASSETS	\$ 30,313,031	\$ 31,874,536

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, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>2015</u>
SUPPORT AND REVENUES					
Program and activity fees	\$ 925,268	\$ -	\$ -	\$ 925,268	\$ 937,265
Contributions	164,527	-	-	164,527	172,976
Grants	339,779	46,661	-	386,440	409,863
In-kind revenue	973,655	-	-	973,655	1,191,311
Special events	111,221	-	-	111,221	118,314
Interest income	528	-	-	528	-
Investment income	311,431	31,094	-	342,525	(116,781)
Rent	53,468	-	-	53,468	20,874
Other	-	-	-	-	(209,665)
Total support and other revenue	<u>2,879,877</u>	<u>77,755</u>	<u>-</u>	<u>2,957,632</u>	<u>2,524,157</u>
Net assets released from restrictions:					
Satisfaction of program requirements	<u>120,298</u>	<u>(120,298)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES AFTER NET ASSETS RELEASED FROM RESTRICTIONS	3,000,175	(42,543)	-	2,957,632	2,524,157
EXPENSES					
Program services	3,671,228	39,142	-	3,710,370	4,059,704
Management and general	581,360	-	-	581,360	502,658
Fundraising	<u>167,508</u>	<u>-</u>	<u>-</u>	<u>167,508</u>	<u>180,039</u>
TOTAL EXPENSES	<u>4,420,096</u>	<u>39,142</u>	<u>-</u>	<u>4,459,238</u>	<u>4,742,401</u>
CHANGE IN NET ASSETS	(1,419,921)	(81,685)	-	(1,501,606)	(2,218,244)
NET ASSETS - BEGINNING	<u>29,444,540</u>	<u>109,543</u>	<u>2,000,000</u>	<u>31,554,083</u>	<u>33,772,327</u>
NET ASSETS - ENDING	<u>\$ 28,024,619</u>	<u>\$ 27,858</u>	<u>\$ 2,000,000</u>	<u>\$ 30,052,477</u>	<u>\$ 31,554,083</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, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2016</u>	<u>2015</u>
EXPENSES					
Wages and related benefits					
Wages	\$ 1,313,623	\$ 287,623	\$ 48,997	\$ 1,650,243	\$ 1,605,493
Employee benefits	121,179	57,878	6,812	185,869	199,518
Payroll taxes	96,791	20,429	4,131	121,351	120,725
Pension	15,381	6,711	-	22,092	18,121
Total wages and related benefits	<u>1,546,974</u>	<u>372,641</u>	<u>59,940</u>	<u>1,979,555</u>	<u>1,943,857</u>
Other expenses					
Depreciation	519,482	8,488	2,760	530,730	505,910
Rent	883,660	9,725	3,175	896,560	1,172,944
Utilities	183,964	8,182	2,004	194,150	254,705
Curriculum expense	124,599	5,891	972	131,462	86,875
Insurance	183,164	25,080	12,537	220,781	207,504
Office	44,601	16,020	3,859	64,480	89,580
Professional fees	28,188	24,263	1,447	53,898	40,943
Loss on disposal of asset	-	-	-	-	18,665
Fundraising	-	-	70,783	70,783	42,601
Property taxes	53,100	5,750	-	58,850	59,080
Bank & investment fees	11,918	41,347	594	53,859	41,624
Repairs and maintenance	41,073	35,079	87	76,239	89,213
Transportation	20,992	-	-	20,992	31,286
Conferences and meetings	24,279	25,870	981	51,130	45,906
Miscellaneous	-	-	-	-	33,647
Marketing	-	-	4,256	4,256	18,750
Dues and subscriptions	16,549	3,024	4,113	23,686	29,000
Bad debt expense	3,906	-	-	3,906	16,791
Awards and recognition	23,921	-	-	23,921	13,520
Total operating expenses	<u>2,163,396</u>	<u>208,719</u>	<u>107,568</u>	<u>2,479,683</u>	<u>2,798,544</u>
TOTAL EXPENSES	<u>\$ 3,710,370</u>	<u>\$ 581,360</u>	<u>\$ 167,508</u>	<u>\$ 4,459,238</u>	<u>\$ 4,742,401</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, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

CASH FLOWS FROM OPERATING ACTIVITIES	2016	2015
Change in net assets	\$ (1,501,606)	\$ (2,218,244)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	530,730	505,910
Investment (income) loss	(342,525)	116,781
Bad debt expense	3,906	16,791
(Increase) decrease in assets		
Contributions receivable, net	(5,094)	332,192
Grants receivable	24,416	14,656
Rents receivable	-	3,220
Deposits	(1,694)	1,694
Prepaid expenses	60,742	(237,903)
Other assets	(84)	(4,565)
Increase (decrease) in liabilities		
Accounts payable	(3,854)	(26,932)
Accrued expenses	3,003	22,632
Net cash flows from operating activities	<u>(1,232,060)</u>	<u>(1,473,768)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of investments	3,068,624	2,298,150
Purchase of investments	(1,765,106)	(1,202,987)
Purchase of property and equipment	(11,855)	(11,390)
Disposal of property and equipment	-	18,666
Net cash flows from investing activities	<u>1,291,663</u>	<u>1,102,439</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on insurance note payable	(236,185)	-
Proceeds from insurance note payable	177,137	236,209
Net cash flows from financing activities	<u>(59,048)</u>	<u>236,209</u>
NET CHANGE IN CASH	555	(135,120)
CASH AT BEGINNING OF YEAR	<u>218,086</u>	<u>353,206</u>
CASH AT END OF YEAR	<u><u>\$ 218,641</u></u>	<u><u>\$ 218,086</u></u>
RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION		
Cash - unrestricted	\$ 190,783	\$ 125,789
Cash - restricted	<u>27,858</u>	<u>92,297</u>
Total cash at end of year	<u><u>\$ 218,641</u></u>	<u><u>\$ 218,086</u></u>

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

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

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

Principles of Consolidation

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

Basis of Accounting

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

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

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

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization has adopted the recommendations of the Financial Accounting Standards Board (FASB) in FASB Accounting Standards Codification (ASC) 958 "Not-for-Profit Organizations." Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; 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 portion of promises to give 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 THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable, net

Contributions receivable represents donors' unconditional promises to give as of December 31, 2016. 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 collectibility 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, 2016 the Organization had total contributions receivable of \$15,422 and an allowance of \$12,500.

Prepaid Expenses

Prepaid expenses include insurance policies for which coverage was in place as of December 31, 2016. Total prepaid insurance of \$177,161 is presented on the consolidated statement of financial position.

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, 2016.

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Space, Materials and Services

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

When the value of donated space use is ascertainable and meets the criteria for recognition in the Statement of Activities, it is reflected in the accompanying financial statements as in-kind revenue and expense. Rent and utility expenses are recorded at estimated fair value. For the year ended December 31, 2016, the Organization recorded in-kind rent and utilities of \$964,165.

In addition, the Organization received donated materials and supplies for curriculum, awards and recognition, and fundraising events totaling approximately \$9,490.

Income Taxes

The Organization qualifies as a tax-exempt exemption under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The Organization is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles. With few exceptions, the Organization is no longer subject to federal, state or local income tax examinations by tax authorities for years before 2013.

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, 2015, from which the summarized information was derived.

Reclassifications

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

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – INVESTMENTS

The following is a summary of the investments held by the Organization at December 31, 2016:

Asset	Cost	Fair Value	Cumulative Unrealized Gain (Loss)
<i>Investments</i>			
Mutual funds	\$ 4,794,868	\$ 5,018,457	\$ 223,589
Cash accounts	86,698	86,698	-
Total	\$ 4,881,566	\$ 5,105,155	\$ 223,589

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

Investments - unrestricted	\$ 3,095,957
Investments - restricted	2,009,198
Totals	\$ 5,105,155

Investment income in the Consolidated Statement of Activities consisted of the following for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 122,869	\$ 31,094	\$ 153,963
Realized gain (loss)	(5,771)	-	(5,771)
Unrealized gain (loss)	194,333	-	194,333
Total	\$ 311,431	\$ 31,094	\$ 342,525

NOTE 3 – LAND, BUILDINGS, AND EQUIPMENT, NET

Land, buildings and equipment at December 31, 2016 is summarized as follows:

Buildings and improvements	\$ 14,754,560
Land and improvements	12,196,618
Furniture and equipment	515,340
Vehicles	561,052
	28,027,570
Less accumulated depreciation	(3,264,634)
Land buildings and equipment, net	\$ 24,762,936

Depreciation expense for the year ended December 31, 2016 was \$530,730.

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 consisted of the following:

Programming activities at the South Walton County Club Facility	\$	9,198
Defuniak Springs Club facility - outside travel		7,214
Summer Movie Express		4,571
Healthy Lifestyles Program		<u>6,875</u>
Total	\$	<u><u>27,858</u></u>

NOTE 5 – ENDOWMENT FUNDS

The State of Florida enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective July 1, 2012, the provisions of which apply to endowment funds existing on or established after that date. The Organization has determined that 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 THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 – ENDOWMENT FUNDS (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2016:

	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	\$ 9,198	\$ 2,000,000	\$ 2,009,198

Changes in endowment net assets for the year ended December 31, 2016:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 17,246	\$ 2,000,000
Disbursements to benefit South Walton County Club	(39,142)	-
Investment income	31,094	-
Endowment net assets, end of year	\$ 9,198	\$ 2,000,000

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 THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 – INSURANCE NOTES PAYABLE

In December 2016 the Organization's insurance policies renewed. The policies were financed through the respective carrier. The notes do not state any interest charged but have fees less than 1% of the balances financed.

NOTE 7 – RETIREMENT PLAN

The Organization participates in a qualified retirement plan in which the Organization makes a matching contribution equal to 5% of each eligible employee's annual gross salary. Employees are eligible to participate in the plan after one full year of continuous service. Employees become 100% vested immediately upon entry into the plan. Retirement expense for the year ended December 31, 2016 totaled \$22,092.

NOTE 8 – CONTINGENCIES

The insurance policy for windstorm coverage became effective December 2016. The hurricane deductible amount is \$681,636 which represents 5% of the insured value of the buildings and improvements which are listed on the policies at \$13,632,717.

NOTE 9 – 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 year ended December 31, 2016, were \$34,917. The program was not extended into summer 2016.

During 2016, the Organization received grants from the Office of Justice Programs (OJP) totaling \$28,356. The funds received were restricted to be used for mentoring.

During 2016, the Organization received a grant from the Department of Education (DOE) totaling \$99,577. The monies were restricted for programming.

In addition to the aforementioned grants, the Organization received various restricted and unrestricted grants in 2016. The various grants received totaled \$223,590.

NOTE 10 – SUBSEQUENT EVENTS

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

The Organization has evaluated events through June 20, 2017 (the date the financial statements were available to be issued) and determined no other events occurred which require accrual or disclosure in the financial statements for the year ended December 31, 2016.

SUPPLEMENTARY INFORMATION

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	<u>Clubs</u>	<u>Foundation</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
ASSETS				
Current assets				
Cash - unrestricted	\$ 168,455	\$ 22,328	\$ -	\$ 190,783
Cash - restricted	27,858	-	-	27,858
Contributions receivable, net	545	2,377	-	2,922
Grants receivable	37,373	-	-	37,373
Investments - unrestricted	-	3,095,957	-	3,095,957
Investments - restricted	-	2,009,198	-	2,009,198
Deposits	4,194	-	-	4,194
Prepaid expenses	177,161	-	-	177,161
Total current assets	415,586	5,129,860	-	5,545,446
Land, buildings and equipment, net	243,895	24,519,041	-	24,762,936
Other assets	4,649	-	-	4,649
TOTAL ASSETS	<u>\$ 664,130</u>	<u>\$ 29,648,901</u>	<u>\$ -</u>	<u>\$ 30,313,031</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 13,119	\$ 2,420	\$ -	\$ 15,539
Accrued expenses	67,754	-	-	67,754
Deferred revenue	-	100	-	100
Insurance note payable	177,161	-	-	177,161
Total current liabilities	258,034	2,520	-	260,554
NET ASSETS				
Unrestricted	387,436	27,637,183	-	28,024,619
Temporarily restricted	18,660	9,198	-	27,858
Permanently restricted	-	2,000,000	-	2,000,000
TOTAL NET ASSETS	<u>406,096</u>	<u>29,646,381</u>	<u>-</u>	<u>30,052,477</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 664,130</u>	<u>\$ 29,648,901</u>	<u>\$ -</u>	<u>\$ 30,313,031</u>

See independent auditors report.

BOYS AND GIRLS CLUBS OF THE EMERALD COAST, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2016

	Clubs		Foundation			Eliminating	Consolidated
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Entries	Total
SUPPORT AND REVENUES							
Program and activity fees	\$ 925,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 925,268
Contributions	162,917	-	1,610	-	-	-	164,527
Foundation contributions	1,210,098	-	-	-	-	(1,210,098)	-
Grants	339,779	46,661	-	-	-	-	386,440
In-kind revenue	973,655	-	-	-	-	-	973,655
Special events	111,221	-	-	-	-	-	111,221
Interest income	528	-	-	-	-	-	528
Investment income	-	-	311,431	31,094	-	-	342,525
Rent	-	-	53,468	-	-	-	53,468
Total support and revenues	<u>3,723,466</u>	<u>46,661</u>	<u>366,509</u>	<u>31,094</u>	<u>-</u>	<u>(1,210,098)</u>	<u>2,957,632</u>
Net assets released from restrictions							
Satisfaction of program requirements	<u>120,298</u>	<u>(120,298)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES AFTER NET ASSETS RELEASED FROM RESTRICTIONS	3,843,764	(73,637)	366,509	31,094	-	(1,210,098)	2,957,632
EXPENSES							
Program services	3,190,431	-	1,690,895	39,142	-	(1,210,098)	3,710,370
Management and general	507,003	-	74,357	-	-	-	581,360
Fundraising	<u>167,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,508</u>
TOTAL EXPENSES	<u>3,864,942</u>	<u>-</u>	<u>1,765,252</u>	<u>39,142</u>	<u>-</u>	<u>(1,210,098)</u>	<u>4,459,238</u>
CHANGE IN NET ASSETS	(21,178)	(73,637)	(1,398,743)	(8,048)	-	-	(1,501,606)
NET ASSETS - BEGINNING	<u>408,614</u>	<u>92,297</u>	<u>29,035,926</u>	<u>17,246</u>	<u>2,000,000</u>	<u>-</u>	<u>31,554,083</u>
NET ASSETS - ENDING	<u>\$ 387,436</u>	<u>\$ 18,660</u>	<u>\$ 27,637,183</u>	<u>\$ 9,198</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 30,052,477</u>

See independent auditors report.