Boys & Girls Clubs of the Suncoast, Inc.

Audited Financial Statements

June 30, 2016 and 2015

Boys & Girls Club of the Suncoast, Inc.

Contents

FRSCPA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Boys & Girls Club of the Suncoast, Inc.

We have audited the accompanying financial statements of Boys & Girls Club of the Suncoast, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the 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 audits. 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 of 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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 the Organization, as of June 30, 2016, and the changes in its net assets, functional expenses, and cash flows for the year then ended are in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Other auditors have previously audited the Organization's Inc.'s 2015 financial statements, and they expressed an unmodified audit opinion on those audited financial statements in their report dated December 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

FRSCPA, PLLC

St. Petersburg, Florida
Decener 15, 2016

Boys & Girls Club of the Suncoast, Inc.

Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 405,447**	$ 385,166
Grants receivable	**297,396**	298,253
In-kind lease receivable, current portion	**44,916**	44,916
Prepaid expenses	**36,514**	46,299
Total current assets	**784,273**	744,634
Property and equipment, net	**2,210,052**	2,165,621
In-kind lease receivable, long-term portion	**20,433**	65,349
Deposits	**3,125**	7,073
Total assets	**$3,017,883**	$3,012,677
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ 44,334**	$ 38,644
Accrued expenses	**51,535**	86,186
Deferred revenue	**3,479**	10,000
Current portion of long-term debt	**73,898**	87,929
Total current liabilities	**173,246**	222,759
Long-term debt, excluding current portion	**360,606**	446,029
Total liabilities	**533,852**	668,788
Net assets:		
Unrestricted	**2,338,682**	2,233,624
Temporarily restricted	**145,349**	110,265
Total net assets	**2,484,031**	2,343,889
Total liabilities and net assets	**$3,017,883**	$3,012,677

See accompanying notes to financial statements.

Boys & Girls Club of the Suncoast, Inc.

Statement of Activities and Changes in Net Assets
Year ended June 30, 2016 (with comparative total for 2015)

			Total	
	Unrestricted	Temporarily Restricted	**2016**	2015
Public support and revenue:				
Public Support:				
Contributions	**$ 289,434**	**$ 80,000**	**$ 369,434**	$ 486,036
Fees and grants	**1,447,337**	–	**1,447,337**	1,367,705
Special events, net of expenses of $48,662 for 2016 and $55,302 for 2015	**203,791**	–	**203,791**	120,655
United Way	**379,003**	–	**379,003**	363,734
Other revenue	**1,651**	–	**1,651**	12,816
Total Public Support	**2,321,216**	**80,000**	**2,401,216**	2,350,946
Revenue:				
Membership dues	**6,681**	–	**6,681**	6,900
Program revenue	**110,568**	–	**110,568**	82,432
Total Public Support	**117,249**		**117,249**	89,332
Net assets released from restrictions	**44,916**	**(44,916)**	–	–
Total Public Support and Revenue	**2,483,381**	**35,084**	**2,518,465**	2,440,278
Expenses:				
Program services (Youth Development)	**1,942,102**	–	**1,942,102**	1,673,980
Management and general	**273,872**	–	**273,872**	216,881
Fundraising	**162,349**	–	**162,349**	151,394
Total expenses	**2,378,323**	–	**2,378,323**	2,042,255
Change in net assets	**105,058**	**35,084**	**140,142**	398,023
Net assets, beginning of year	**2,233,624**	**110,265**	**2,343,889**	1,945,866
Net assets, end of year	**$2,338,682**	**$145,349**	**$2,484,031**	$2,343,889

See accompanying notes to financial statements.

Boys & Girls Club of the Suncoast, Inc.

Statement of Functional Expenses
Year ended June 30, 2016 (with comparative total for 2015)

		Supporting services		*Totals*	
	Program Services	Mgmt & General	Fund-raising	**2016**	2015
Salaries and related expenses:					
Salaries	**$843,605**	**$77,682**	**$98,225**	**$1,019,512**	$ 871,855
Employee benefits	**85,391**	**4,994**	**6,315**	**96,700**	95,573
Payroll taxes	**73,815**	**7,668**	**9,696**	**91,179**	89,027
Total salaries and related expenses	**1,002,811**	**90,344**	**114,236**	**1,207,391**	1,056,455
Other expenses:					
Professional fees	**677**	**51,643**	**–**	**52,320**	36,704
Contract services	**245,336**	**51,867**	**5,243**	**302,446**	152,460
Interest expense	**14,361**	**683**	**–**	**15,044**	29,006
Depreciation	**112,149**	**13,836**	**–**	**125,985**	106,811
Supplies	**18,941**	**4,508**	**1,065**	**24,514**	13,986
Occupancy	**179,143**	**25,251**	**10,758**	**215,152**	209,878
Equipment expense	**8,693**	**5,454**	**7,628**	**21,775**	18,231
Printing and publications	**3,614**	**5,731**	**2,752**	**12,097**	7,646
Repairs and maintenance	**28,184**	**822**	**5,317**	**34,323**	85,402
Travel and training	**10,416**	**4,452**	**1,005**	**15,873**	22,082
Membership dues	**415**	–	**–**	**415**	650
Development	**3,000**	**1,000**	**9,438**	**13,438**	2,181
National and state dues	**4,102**	**8,215**	**–**	**12,317**	14,849
Insurance	**67,698**	**1,138**	**–**	**68,836**	54,521
Vehicle expenses	**72,300**	**3,942**	**681**	**76,923**	65,888
Licenses and fees	**2,422**	**1,878**	**29**	**4,329**	4,033
Youth development	**83,285**	–	**212**	**83,497**	40,364
Office	**13,980**	**644**	**25**	**14,649**	19,564
In-kind materials and services	**44,991**	–	**–**	**44,991**	91,706
Other expenses	**15,848**	**2,464**	**3,960**	**22,272**	9,838
Loss on disposal of asset	**9,736**	–	**–**	**9,736**	–
Total other expenses	**939,291**	**183,528**	**48,113**	**1,170,932**	985,800
Total expenses	**$1,942,102**	**$273,872**	**$162,349**	**$2,378,323**	$2,042,255

See accompanying notes to financial statements.

Boys & Girls Club of the Suncoast, Inc.

Statements of Cash Flows
Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	**$140,142**	$398,023
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	**125,985**	106,811
Loss on sale of property and equipment	**9,736**	–
In-kind lease receivable	**44,916**	(16,932)
Change in operating assets and liabilities:		
Grants receivable	**3,357**	(181,773)
Pledges receivable	**(2,500)**	4,050
Split-interest trust receivable	–	36,538
Prepaid expenses	**9,785**	(10,927)
Accounts payable	**5,690**	11,398
Accrued expenses	**(34,651)**	21,842
Deferred revenue	**(6,521)**	(18,380)
Net cash provided by operating activities	**295,939**	350,650
Cash flows from investing activities:		
Change in deposits	**3,948**	–
Purchases of property and equipment	**(180,812)**	(142,818)
Proceeds from sale of property and equipment	**660**	–
Net cash used in investing activities	**(176,204)**	(142,818)
Cash flows from financing activities:		
Repayment of long term debt	**(506,510)**	(205,005)
Borrowings of long term debt	**407,056**	–
Net cash used in financing activities	**(99,454)**	(205,005)
Net increase in cash and cash equivalents	**20,281**	2,827
Cash and cash equivalents, beginning of year	**385,166**	382,339
Cash and cash equivalents, end of year	**$405,447**	$385,166
Supplemental disclosure of cash flow information:		
Noncash investing and financing activities:		
Purchase of property and equipment with long term debt	**$ –**	$101,881
Cash paid during the year for:		
Interest	**$15,044**	$ 29,006

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

General

The Boys & Girls Organizations of the Sun coast, Inc. ("the Organization") is a not-for-profit organization incorporated in the State of Florida on December 20, 1991. The Organization operated originally as The Boys Organizations and was incorporated in the State of Florida on May 20, 1970. The Organization's mission is to help youth of all backgrounds, with special emphasis on helping those from disadvantaged circumstances, whether social, economic, educational, physical, or cultural, to develop the qualities needed to become responsible citizens and leaders. Organization programs and activities are dedicated to promoting leadership, character, health, and career development, while emphasizing social, cultural, and educational growth. The Organization is supported primarily through private donor contributions, grants and contracts from government agencies.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations, including restricted contributions whose restrictions are met in the same reporting period.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally the donors of these assets permit the Organization to use all or part of the income earned on any related investment for general or specific purposes. The Organization has no permanently restricted net assets at June 30, 2016 and 2015.

Contributions, Promises to Give, Grants and Grants Receivable

As a not-for-profit organization, the Organization is required to measure contributions received and unconditional promises to give at their fair value and report them as increases in net assets immediately, even if the donor has restricted their use and the restriction will be met in future periods. As a result, contributions are recorded immediately either as an increase in unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets, depending on the nature of the donor restrictions, if any.

Unconditional promises to give (pledges receivable) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included in support until the conditions are met.

Grants are recorded as support when performance occurs under the terms of the grant agreement, unless they are determined to be contributions or promises to give. An allowance for doubtful grants account receivable is considered unnecessary, as management considers all accounts to be collectible.

Contributed property and equipment (if any) is recorded as unrestricted support at its fair value at the date of donation as determined by the Organization. If donors stipulate how long the asset is to be used, the contributions are recorded as restricted support.

Donated supplies, materials, publications, etc. are recorded as unrestricted contributions in the period received at fair value. Only such assets with determinable fair values are recorded.

Contributed use of facilities is recorded as support at its fair rental value during the period the contribution is received. Contributed services that require specialized skill (attorneys, accountants, counselors, etc.) are recorded in the Statement of Activities as unrestricted support at their fair value. A number of unpaid volunteers, including board members, have made significant contributions of their time to develop the Organization's programs and special events. The value of this contributed time is not reflected in the Statement of Activities since it is not susceptible to objective measurement or valuation.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of one year or less when purchased to be cash equivalents. The Organization places its cash with high quality financial institutions. At times, cash may be in excess of FDIC insurance limits. The Organization does not believe it is exposed to any significant credit risk on cash.

Property and Equipment

Property and equipment are carried at cost, if purchased, or at estimated fair market value at date of receipt if acquired by gift. Expenditures in excess of $2,000 with an estimated useful life greater than one year are capitalized. Property and equipment are depreciated over their estimated useful lives (3 to 50 years) using the straight-line method. Leasehold improvements are depreciated over the effective life of the lease. Gifts of long-lived assets are reported as unrestricted support. Property acquired with governmental funds is considered to be owned by the Organization while used in the program for which it was purchased or in other authorized programs; however, its disposition and the ownership of any proceeds is subject to government regulations.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization periodically assesses whether it has incurred income tax expense or related interest or penalties in accordance with accounting for uncertain tax positions. No such amounts were recognized for the years ending June 30, 2016 and 2015, respectively.

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Organization reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

The Organization follows the income tax standard for uncertain tax positions. The Organization has evaluated their tax positions and determined they have no uncertain tax positions as of June 30, 2016. Should the Organization's tax returns be challenged in the future, tax years ending June 30, 2013 and forward are open for examination by the IRS.

Functional Allocation of Expenses

The following program and support services are included in the accompanying financial statements:

- Youth Development Provides behavioral prudence and promotes the health, social, educational, vocational and character development of boys and girls as well as to develop in them a sense of belonging, competency and usefulness and a sense of one's own power of self-control.
- Management and General: Includes the functions necessary to maintain the Organization's programs and activities; provides coordination and articulation of the Organization's program strategy through the office of the president; secures the proper administrative functioning of the Board of Directors; and manages the financial and budgetary responsibilities of the Organization.

- Fundraising: Provides the structure necessary to encourage and secure public and private financial support from individuals, foundations, governmental agencies and corporations.

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted as shown in the Statement of Functional Expenses for the years ended June 30, 2016 and 2015.

Fair Value of Financial Instruments

The fair value of financial instruments is measured as the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs corroborated by market data.
Level 3: Unobservable inputs not corroborated by market data.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, grants receivable, prepaid expenses, accounts payable and accrued expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. In-Kind Lease Receivable

The Organization was given rent free (or below market) leases on certain properties where Clubs are located. The Organization recorded the market value of the facilities as contributions revenue (temporarily restricted) for the term of the leases when the leases were initiated.

The balance on the in-kind lease receivables are as follows:

June 30,	**2016**	2015
Current portion	**$44,916**	$ 44,916
Long-term portion	**20,433**	65,349
Total in-kind lease receivable	**$65,349**	$110,265

The recognition (usage) on the in-kind leases for subsequent years is as follows:

June 30,	**2016**
2017	**$44,916**
2018	**20,433**
Total	**$65,349**

3. Property and Equipment

Property and equipment as of June 30, 2016 and 2015 consists of the following:

As of June 30,	**2016**	2015
Land	**$ 166,856**	$ 166,856
Buildings	**2,174,382**	2,113,368
Leasehold improvements	**45,436**	24,048
Furniture and equipment	**412,566**	429,291
Vehicles	**463,682**	407,178
Total	**3,262,922**	3,140,741
Less: accumulated depreciation	**(1,052,870)**	(975,120)
Net property and equipment	**$2,210,052**	$2,165,621

Depreciation expense for the years ended June 30, 2016 and 2015 was $125,985 and $106,811, respectively.

The balance of $2,174,382 in the building includes $650,970 for the Royal Theater. This project was funded by a U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant ("CDBG") which is passed through the City of St. Petersburg. Among other CDBG requirements, the property is required to be used as an after school and summer activity center, providing health, social, educational, vocational, cultural arts, character and leadership development principally to low and moderate income households, as defined by HUD through December 31, 2053. A lien in the form of a mortgage ($564,000) on the real property has been executed. No interest shall accrue as long as payment of the principal is deferred. If the Organization complies with the terms and conditions of the CDBG agreement, the lien established by the mortgage shall be forgiven on January 1, 2054. The CDBG proceeds were recognized as income at the time of receipt since management believes the likelihood of repayment is remote.

Buildings also include the cost (approximately $618,000) of designing, consulting and various other costs for the remodeling of the Pinellas Park Club. The project was mostly funded by a CDBG grant passed through Pinellas County. Among other requirements, the Organization is required to operate the Pinellas Park Club as a youth center benefiting youth and that at least 51% of the persons benefitting from the activities be residents whose household income does not exceed 80% of the area median income. Also, the Organization is prohibited from selling or altering the property without approval. These requirements are in effect for 20 years, through April 2030.

4. Long-Term Debt

Long-term debt at June 30, 2016 and 2015 consists of the following:

June 30,	**2016**	2015
Note payable to bank, refinanced November 2015 in the amount of $407,056. Payable in monthly principal and interest payments of $3,569 with interest of 1% and a balloon payment due November 2020 in the amount of $212,260. Collateralized by real property in Pinellas Park.	**$384,393**	$419,359
Vehicle notes payable:		
Interest rate 4.25%; monthly principal and interest payment of $1,022. Paid off October 2015. Secured by vehicle.	**–**	26,254
Interest rate 3.99%; monthly principal and interest payment of $1,341. Final payment due August 2017. Secured by vehicle.	**18,303**	33,317
Interest rate 3.99%; monthly principal and interest payment of $1,670. Final payment due May 2018. Secured by vehicle.	**31,808**	55,028
Total long-term debt	**434,504**	533,958
Less: current portion	**(73,898)**	(87,929)
Long-term debt, excluding current portion	**$360,606**	$446,029

Maturities of long-term debt are as follows:

June 30,	
2017	**$ 73,898**
2018	**54,922**
2019	**39,948**
2020	**40,343**
2021	**225,393**
Total	**$434,504**

5. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 and 2015 are composed of the following:

June 30,	**2016**	2015
In-kind leases receivable	**$ 65,349**	$110,265
Scholarship	**10,000**	–
Gymnasium floor replacement	**70,000**	–
	$145,349	$110,265

Releases of temporarily restricted net assets consisted of the following for the years ending June 30, 2016 and 2015:

Year ended June 30,	**2016**	2015
In-kind leases receivable	**$44,916**	$96,216
Split-interest receivable	–	36,538
Pledges receivable	–	4,050
	$44,916	136,804

6. In-kind Revenue and Expenses

Included in Support and Expense in the Statement of Activities are the following in-kind contributions:

Year ended June 30,	**2016**	2015
In-kind revenues		
Donated facilities	**$96,216**	$113,148
Donated supplies, materials and services	**–**	91,706
	$96,216	$204,854

Year ended June 30,	**2016**	2015
In-kind expenses		
Donated facilities	**$96,216**	$96,216
Donated supplies, materials and services	**–**	91,706
	$96,216	$187,922

7. Related Parties

The Organization pays rent to a company owned by a former board member of the Organization. During the year ended June 30, 2016 and 2015 the Organization paid $17,792 and $16,874, respectively, in rent to the board member's company.

8. Current Vulnerability due to Concentrations

The Organization's operations are concentrated in Pinellas County, Florida and relate primarily to youth services. In addition, amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, it any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

9. Economic Dependence

The Organization's operations are substantially dependent on the receipt of funding from governmental (federal, state and local entities such as JWB) and corporate sources (such as the

United Way). Loss of these funds and/or large decreases in this type of funding may have a material effect on the Organization and a negative impact on overall operations.

10. Retirement Plan

The Organization operates the Boys and Girls Clubs of the Suncoast, Inc. 401 (k) Plan (the "Plan"). Specifics of the Plan are as follows:

- The Plan year is a calendar year.
- To qualify as a participant under the Plan, participants must be eligible employees, be at least age 21, work for the Organization at least 3 consecutive months and complete at least 1 hour of service during that time period.
- Employees are allowed to make pre-tax salary deferral contributions to the Plan. These deferral contributions are always 100% vested.
- The Organization may elect to make matching contributions (for the employee salary deferrals) to the plan.
- In addition, the Organization may also elect to make other discretionary contributions to the plan.
- In order to receive an employer contribution, the participant must have 1 year of service with the Organization, be employed on the last day of the Plan year and have completed 1,000 hours of service.
- Participants become vested in matching and employer contributions after 3 years of service.

Effective January 1, 2015, the Plan was restated to include a provision for a 100% (dollar-for-dollar) matching contribution of salary deferrals up to 3% of compensation plus a 50% matching on any salary deferrals above 3% up to 5% of compensation.

For the years ended June 30, 2016 and 2015, the Organization made contributions of $15,361 and $19,919 to the Plan, respectively.

11. Subsequent Events

Subsequent events have been evaluated through December 15, 2016, which is the date of the financial statements were available to be issued.