



BOYS & GIRLS CLUBS
OF LARIMER COUNTY
www.BeGreatLarimer.org

FINANCIAL STATEMENTS

Years Ended May 31, 2016 and 2015



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Independent Auditors' Report

Board of Directors
Boys & Girls Clubs of Larimer County
Fort Collins, Colorado

Report on the Financial Statements

We have audited the accompanying statements of financial position of Boys & Girls Clubs of Larimer County (the Organization), a Colorado nonprofit corporation, as of May 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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 & Girls Clubs of Larimer County as of May 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Anderson & Whitney, P.C.

August 22, 2016

BOYS & GIRLS CLUBS OF LARIMER COUNTY

STATEMENTS OF FINANCIAL POSITION

May 31	2016	2015
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 665,830	\$ 620,433
Restricted cash	142,498	250,906
Certificates of deposit	936,247	-
Receivables:		
Promises to give, net of allowance	101,535	68,276
Other receivables	-	3,635
Prepaid expenses and other current assets	31,884	43,130
Total Current Assets	1,877,994	986,380
Long-Term Assets:		
Property and equipment, net	5,810,620	5,941,085
Beneficial interest in assets held by Community Foundation	2,468,445	2,530,599
Rent receivable	69,704	69,704
Other long-term assets	375	375
Total Long-Term Assets	8,349,144	8,541,763
TOTAL ASSETS	\$ 10,227,138	\$ 9,528,143

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BOYS & GIRLS CLUBS OF LARIMER COUNTY

STATEMENTS OF FINANCIAL POSITION - Continued

May 31	2016	2015
<u>LIABILITIES</u>		
Current Liabilities:		
Agency funds	\$ 16,794	\$ 23,550
Accounts payable	28,782	14,595
Accrued expenses	75,900	55,514
Deferred revenue	97,460	57,641
Deferred rental income - current portion	23,582	23,582
Total Current Liabilities	242,518	174,882
Deferred Rental Income, net of current portion	471,603	486,783
Total Liabilities	714,121	661,665
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated	5,557,617	5,643,625
Board designated	2,305,935	1,427,035
Total Unrestricted	7,863,552	7,070,660
Temporarily Restricted	398,103	544,456
Permanently Restricted	1,251,362	1,251,362
Total Net Assets	9,513,017	8,866,478
TOTAL LIABILITIES AND NET ASSETS	\$ 10,227,138	\$ 9,528,143

See Accompanying Notes to Financial Statements.

BOYS & GIRLS CLUBS OF LARIMER COUNTY

STATEMENTS OF ACTIVITIES

Years Ended May 31	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:								
Government grants	\$ 256,365	\$ -	\$ -	\$ 256,365	\$ 239,684	\$ -	\$ -	\$ 239,684
Non-government and foundation grants	1,565,810	-	-	1,565,810	588,180	-	-	588,180
Contributions	402,465	36,976	-	439,441	527,224	202,601	-	729,825
In-kind contributions	169,923	-	-	169,923	118,265	-	-	118,265
Rent income	148,664	-	-	148,664	149,270	-	-	149,270
Special events, net of direct expenses	79,052	-	-	79,052	63,148	-	-	63,148
Programs	22,485	-	-	22,485	28,180	-	-	28,180
Interest and investment income, net of fees	46,378	-	-	46,378	39,286	-	-	39,286
Miscellaneous income	9,703	-	-	9,703	2,235	-	-	2,235
Net assets released from restrictions	171,025	(171,025)	-	-	426,423	(426,423)	-	-
Total Revenue and Other Support	2,871,870	(134,049)	-	2,737,821	2,181,895	(223,822)	-	1,958,073
Expenses:								
Program services	1,447,777	-	-	1,447,777	1,418,073	-	-	1,418,073
Management and general	298,852	-	-	298,852	226,635	-	-	226,635
Fund raising	280,323	-	-	280,323	155,886	-	-	155,886
Total Expenses	2,026,952	-	-	2,026,952	1,800,594	-	-	1,800,594
Change in Net Assets from Operations	844,918	(134,049)	-	710,869	381,301	(223,822)	-	157,479
Uncollectible Pledges Receivable	(4,525)	-	-	(4,525)	(1,000)	-	-	(1,000)
Investment Gains (Losses), net	(47,501)	(12,304)	-	(59,805)	12,560	77,321	-	89,881
Change in Net Assets	792,892	(146,353)	-	646,539	392,861	(146,501)	-	246,360
Net Assets, beginning of year	7,070,660	544,456	1,251,362	8,866,478	6,677,799	690,957	1,251,362	8,620,118
NET ASSETS, end of year	\$7,863,552	\$ 398,103	\$1,251,362	\$ 9,513,017	\$7,070,660	\$ 544,456	\$1,251,362	\$8,866,478

See Accompanying Notes to Financial Statements.

BOYS & GIRLS CLUBS OF LARIMER COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended May 31	2016				2015			
	Program Services	Management and Administration	Fund Raising	Total	Program Services	Management and Administration	Fund Raising	Total
Salaries	\$ 755,219	\$ 165,483	\$ 97,483	\$1,018,185	\$ 743,639	\$ 118,785	\$ 97,187	\$ 959,611
Employee benefits	87,136	22,863	10,530	120,529	81,318	21,102	7,034	109,454
Payroll taxes and workers' compensation	68,152	15,266	7,162	90,580	67,496	11,219	7,479	86,194
Depreciation	138,965	286	-	139,251	137,862	407	-	138,269
Program supplies and fees	67,135	-	-	67,135	97,239	-	-	97,239
In-kind costs	81,596	35,083	53,244	169,923	71,603	33,289	8,373	113,265
Facilities - rent, utilities, maintenance, insurance	142,683	3,681	1,293	147,657	118,929	2,807	1,972	123,708
Computer service and supplies	37,316	6,566	1,642	45,524	41,321	3,023	2,124	46,468
Contract labor - grant writer	-	-	-	-	-	-	1,785	1,785
Staff, volunteer, board development	8,919	18,239	1,557	28,715	8,641	13,491	-	22,132
Fundraising supplies and fees	-	-	-	-	-	-	256	256
Dues and subscriptions	11,982	4,540	-	16,522	8,146	3,053	1,117	12,316
Transportation and transportation insurance	18,886	2,645	624	22,155	19,334	587	796	20,717
Liability insurance	12,167	938	329	13,434	9,228	332	233	9,793
Office expense	2,164	2,415	849	5,428	3,210	1,148	807	5,165
Fees (bank, interest, finance, merchant)	1,007	1,411	460	2,878	371	1,699	584	2,654
Feasibility study	-	-	-	-	-	-	18,000	18,000
Capital Campaign	-	-	102,040	102,040	-	-	-	-
Marketing	14,450	7,286	2,429	24,165	9,692	4,193	8,139	22,024
Professional fees	-	12,150	-	12,150	-	11,500	-	11,500
Miscellaneous	-	-	681	681	44	-	-	44
Total Expenses Reported by Function	1,447,777	298,852	280,323	2,026,952	1,418,073	226,635	155,886	1,800,594
Expenses Reported Separately in Statement of Activities:								
Special events	-	-	28,350	28,350	-	-	8,032	8,032
Total Expenses	\$ 1,447,777	\$ 298,852	\$ 308,673	\$2,055,302	\$1,418,073	\$ 226,635	\$163,918	\$1,808,626
As a percentage of total	70%	15%	15%	100%	78%	13%	9%	100%

See Accompanying Notes to Financial Statements.

BOYS & GIRLS CLUBS OF LARIMER COUNTY

STATEMENTS OF CASH FLOWS

Years Ended May 31	2016	2015
Cash Flows from Operating Activities:		
Change in net assets	\$ 646,539	\$ 246,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	139,251	138,269
Write off of pledges receivable	4,525	1,000
Unrealized/realized net (gains) losses on investments	59,805	(89,881)
Investment earnings, net of fees reinvested in endowment	(39,651)	(38,422)
Contributed equipment	-	(6,500)
Changes in assets and liabilities		
Promises to give	(37,784)	94,503
Other receivables	3,635	(429)
Prepaid expenses and other current assets	11,246	(16,733)
Agency funds	(6,756)	15,418
Accounts payable	14,187	(13,210)
Accrued expenses	20,386	3,286
Deferred revenue	39,819	12,493
Deferred rent income	(15,180)	(15,180)
Net Cash Provided by Operating Activities	840,022	330,974
Cash Flows from Investing Activities:		
Purchases of property and equipment	(8,786)	-
Purchases of certificates of deposit	(936,247)	(50,000)
Distribution from beneficial interest in assets held by Community Foundation	42,000	81,000
Change in restricted cash and cash equivalents	108,408	159,551
Net Cash Provided (Used) in Investing Activities	(794,625)	190,551
Cash Flows from Financing Activities	-	-
Net Change in Cash and Cash Equivalents	45,397	521,525
Cash and Cash Equivalents - Beginning of Year	620,433	98,908
Cash and Cash Equivalents - End of Year	\$ 665,830	\$ 620,433
Supplemental disclosure of cash flow information:		
In-kind contributions of property and equipment	\$ -	\$ 6,500
Cash paid for interest	-	95

See Accompanying Notes to Financial Statements.

BOYS & GIRLS CLUBS OF LARIMER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Organization and Summary of Significant Accounting Policies:

Organization:

Boys & Girls Clubs of Larimer County (the Organization) is a non-profit organization, which provides facilities for the youth of the Fort Collins, Loveland, and Wellington, Colorado communities. Services are also provided during part of the year in Estes Park, Colorado. The Organization also acts as a clearinghouse for resources required by the youth of these communities. The Organization provides recreational, educational, and cultural activities as well as assistance in problem solving and locating other community resources. The Organization is primarily supported by private grants and donor support.

Basis of Accounting:

Financial statement presentation follows accounting principles generally accepted in the United States (GAAP). The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets are those currently available at the discretion of the Board of Directors for use in the Organization's operation and those resources invested in property and equipment. Board-designated net assets are unrestricted amounts that have been designated by the governing board for various purposes including building improvements, general reserves, and endowment.

Temporarily Restricted Net Assets are restricted by donors specifically for certain time periods, purposes, or capital campaign.

Permanently Restricted Net Assets must be maintained permanently by the Organization as required by the donor; but the Organization is permitted to use or expend part or all of any income derived from those assets.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, cash and cash equivalents consist of unrestricted amounts in demand and savings bank accounts.

The Organization maintains its cash in bank accounts, which at times may exceed the federally insured limits of the Federal Deposit Insurance Corporation. The Organization continually monitors its positions with, and the credit quality of, the financial institutions with which it invests.

BOYS & GIRLS CLUBS OF LARIMER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Promises to Give:

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. If it is probable that the conditions of the promise to give will be met, then the promise to give is accounted for as an unconditional promise to give.

The Organization records an allowance for uncollectable promises to give based upon specific identification of those promises to give for which collections are doubtful. Promises to give that are determined to be uncollectable and have not previously been allowed for are charged to expense in the period the determination of uncollectibility is made.

Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Promises to give related to long-term purposes, such as for an endowment or capital campaign, are classified as non-current assets due to the long-term nature of the underlying purpose. The majority of the promises to give are from a broad base of Northern Colorado contributors as a result of a capital campaign to build a new building in Loveland, Colorado, and to establish an endowment for the Organization.

Property and Equipment:

Property and equipment are recorded at cost for purchased assets and are recorded at estimated fair market value at the date of donation for donated assets. The Organization provides for depreciation using the straight-line method over the estimated useful lives of property and equipment, which are generally three to ten years for vehicles, furniture, and equipment and ten to fifty years for buildings and improvements. The Organization capitalizes assets with a cost of \$1,000 or greater.

BOYS & GIRLS CLUBS OF LARIMER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Long-Lived Assets:

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. No adjustments for impairment have been recognized during the years ended May 31, 2016 and 2015.

Agency Funds:

The Organization has fiscal receivables included in other current assets and is holding cash for others relating to youth programs and collaborative grants. These groups include other Boys & Girls Clubs throughout Colorado. These collective groups have requested that the Organization act as their fiscal agent for collaborative grants and projects. The collective grants formally note the Organization as a grantee. Fiscal receivables and funds held on behalf of these groups are reflected as an offsetting agency fund liability in the accompanying Statements of Financial Position.

Deferred Rent Income:

The Organization received a lease payment in advance for the lease of certain portions of its Loveland, Colorado facility to a charter school. Rent income is recognized over the life of the lease on the straight-line method.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence 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 same 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 statements of activities as net assets released from restrictions.

Contributions that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

In the absence of donor restrictions, the Organization reports gifts of long-lived assets as unrestricted support.

BOYS & GIRLS CLUBS OF LARIMER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Grants:

Grant revenue is received from governmental and private sources. Reimbursable grants are recognized in revenue when the related expenses are incurred. Other grants are recognized in revenue once the conditions of the grant have been met.

Income Taxes:

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). The Organization is not a private foundation within the meaning of Section 509(a) of the Code.

The Organization follows GAAP guidance for uncertainty in income taxes. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no additional amounts have been recognized as of May 31, 2016 and 2015. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as management and general expenses. No interest or penalties have been assessed during the years ended May 31, 2016 and 2015. Generally, three tax years remain subject to examination by tax jurisdictions.

Functional Expenses:

Expenses incurred directly for a program service are charged to such service. Fringe benefits are allocated to all services based on a pro-rata basis of total direct salary expenses incurred. Allocations of certain overhead costs are allocated to services on a pro-rata basis of total space occupied by each service.

Subsequent Events:

Management has evaluated all subsequent events through the date the financial statements were available for issuance, which is the same date as the independent auditors' report.

Prior Year Comparative Information:

Certain 2015 amounts have been reclassified for comparison with the 2016 financial statement presentation.

BOYS & GIRLS CLUBS OF LARIMER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Promises to Give:

Unconditional promises to give consist of the following:

May 31	2016	2015
Building Incredible Kids	\$ 11,615	\$ 13,710
Government grants	36,947	27,094
Other	54,758	29,257
Allowance for uncollectible promises to give	(1,785)	(1,785)
	<u>\$ 101,535</u>	<u>\$ 68,276</u>

NOTE 3 – Property and Equipment:

The Organization's property and equipment are comprised of the following:

May 31	2016	2015
Building	\$ 6,076,745	\$ 6,076,745
Land	895,112	895,112
Vehicles	121,220	121,220
Furniture and equipment	91,118	88,929
Improvements	47,157	40,558
	<u>7,231,352</u>	<u>7,222,564</u>
Less accumulated depreciation	<u>(1,420,732)</u>	<u>(1,281,479)</u>
Property and equipment, net	<u>\$ 5,810,620</u>	<u>\$ 5,941,085</u>

NOTE 4 – Beneficial Interest in Assets Held by Community Foundation:

The Organization has an endowment fund that is held by the Community Foundation of Northern Colorado (the Community Foundation). Under the terms and conditions of the agreement, the Organization makes transfers of permanently restricted endowment funds to the Community Foundation, and the Community Foundation provides investment management services. Distributions from the fund, per the terms of the agreement, will be paid to the Organization. The Organization's investment in the Community Foundation including funds transferred and investment earnings, totaled \$2,468,445 and \$2,530,599 at May 31, 2016 and 2015, respectively.

In accordance with GAAP, funds transferred to the Community Foundation are not considered to be a contribution from the Organization to the Community Foundation, but rather are accounted for as a reciprocal transfer. Accordingly, the assets are reflected in the Statement of Financial Position as a beneficial interest in assets held by the Community Foundation. See Note 13 for additional information on these assets.

BOYS & GIRLS CLUBS OF LARIMER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Lines of Credit:

The Organization has a revolving line of credit in the amount of \$150,000 (\$100,000 through December 31, 2015) that bears interest at prime rate plus .5% with an interest rate floor of 3.25% and ceiling of 21%. As of May 31, 2016 and 2015, the actual rate on the line was 4% and 3.5%, respectively. The line of credit calls for monthly interest payments, and the principal and any unpaid interest are due at maturity on December 31, 2016. There was no balance outstanding as of May 31, 2016 and 2015.

The Organization had a second revolving line of credit in the amount of \$50,000 that incurred interest at the *Wall Street Journal* prime rate (actual rate of 3.25% at May 31, 2015). The credit arrangement matured March 30, 2016 and was secured by accounts receivable and property and equipment of the Organization. There was no balance outstanding on the line of credit as of May 31, 2015.

NOTE 6 – Net Assets:

May 31	2016	2015
Unrestricted – Board Designated:		
Endowment fund	\$ 961,478	\$ 985,687
Operating Reserves	430,138	441,348
Capacity and building improvement projects	50,000	--
Capital projects	864,319	--
	<u>\$ 2,305,935</u>	<u>\$ 1,427,035</u>
Temporarily Restricted:		
Unexpended endowment earnings	\$ 255,605	\$ 293,550
Restricted for:		
Capital projects	68,217	91,895
Program and location needs	24,373	94,977
Scholarships	48,100	48,100
Other	1,808	15,934
	<u>\$ 398,103</u>	<u>\$ 544,456</u>
Permanently Restricted:		
Endowment funds	\$ 1,251,362	\$ 1,251,362

BOYS & GIRLS CLUBS OF LARIMER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Operating Leases:

Lease Obligations:

In 2001, the Organization entered into a land and joint use lease with the Poudre School District for the use of its land on which one of the Organization's facilities is built. Under the terms of the lease, the Organization is to pay the Poudre School District \$1 per year for the initial ten years with the option of renewing the lease for an additional ten years, along with additional optional renewals each ten years over the next 30 years. If the lease is terminated at any time, the Poudre School District must either construct a new facility for the Organization or pay them fair market value for the facility.

The Organization also leases a facility from the Town of Wellington under a lease dated October 28, 1997, that automatically renews on an annual basis unless terminated via written notice of at least 90 days prior to the termination date. There is no rental charge to the Organization. The fair market rental value of this facility amounts to \$14,400 annually; accordingly, this amount has been recorded as an in-kind donation and rent expense in the accompanying Statement of Activities for the years ended May 31, 2016 and 2015.

The Organization leases its program support facility from a local trust under a lease agreement dated January 1, 2003 that required monthly payments of \$1,950 for rent, utilities, and maintenance. This lease agreement expired on December 31, 2007, and the Organization has since leased the facility on a month-to-month basis. The Organization paid \$11,700 through December 2008, after which time the trust has annually waived subsequent rent payments. For each of the years ended May 31, 2016 and 2015, \$23,400 is reported as an in-kind donation and rent expense in the accompanying Statements of Activities. A portion of the space leased from the trust is subleased to a third-party tenant under a lease agreement that expired December 31, 2011 and has since continued on a month-to-month basis. For each of the years ended May 31, 2016 and 2015, \$30,000 is recorded as rental income in the accompanying Statements of Activities.

Total rent expense, including in-kind rent, was \$39,990 for the years ended May 31, 2016 and 2015. The future minimum payments of the leases described above are not significant to the financial statements.

Lease Income:

Effective December 2008, the Organization leases a portion of the classroom space and joint-use space in its Loveland, Colorado facility to an unrelated charter school. Under the terms of the lease, a \$600,000 advance rental payment for classroom space was received during 2009 and recorded as deferred rental income. The advance payment is amortized to rental income at the annual rate of \$15,180 through June 2048. As of May 31, 2016 and 2015, the deferred rental income balance was \$495,185 and \$505,689, respectively. The Organization also receives escalating monthly rent payments of from \$5,908 to \$8,786 through June 2048 for joint-use space and a monthly maintenance reserve payment of \$367. Total rental income related to this lease for the years ended May 31, 2016 and 2015 was \$116,005 and \$120,681, respectively.

BOYS & GIRLS CLUBS OF LARIMER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Operating Leases - Continued:

Total rental income for the above referenced leases and other small items was \$118,664 and \$149,270 for the years ended May 31, 2016 and 2015, respectively.

The following is a schedule of approximate future minimum rentals to be received under the lease described above:

Years Ending May 31	Amount
2017	\$ 100,825
2018	100,825
2019	102,151
2020	102,271
2021	102,271
Thereafter to 2048	2,864,242
	<u>\$ 3,372,585</u>

NOTE 8 – Retirement Plan:

The Organization adopted a 401(k) plan (the “Plan”) effective January 1, 2007. The Plan provides for a 3% discretionary contribution to eligible employees as defined by the Plan. In addition, the Organization can make matching contributions. The Organization elected up to a 2% match for calendar years 2016 and 2015 and recognized \$25,496 and \$17,627 as discretionary and matching contribution expense for the years ended May 31, 2016 and 2015, respectively.

NOTE 9 – Restricted Cash:

As of May 31, 2016 and 2015, the Organization had restricted cash, which consisted of receipts that are to be used in the Organization’s capital projects, location-specific activities or other specified purposes. They are restricted as follows:

	Non-Capital	Capital	Total
May 31, 2016	\$ 74,281	\$ 68,217	\$ 142,498
May 31, 2015	159,011	91,895	250,906

BOYS & GIRLS CLUBS OF LARIMER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – Anonymous Endowment:

An anonymous donor maintained an endowment on behalf of the Organization's Fort Collins Unit that was transferred to the Community Foundation during 2006. The Community Foundation has expressed to the Organization that it has variance power over this endowment, and, as such, the Organization does not report this endowment as an asset. During the years ended May 31, 2016 and 2015, the Organization recorded distributions from this endowment of \$180,782 and \$176,370, respectively, as revenue, which is reflected in grants revenue in the accompanying Statements of Activities.

NOTE 11 – Fair Value:

The Organization follows GAAP guidance surrounding fair value measurements which establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. GAAP clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

GAAP also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of input. The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Level 1: Quoted prices in active markets for identical assets or liabilities. The types of investments generally included in Level 1 include mutual funds, listed equities, and listed derivatives.

Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the assets or liability. Investments, which are generally included in this category, include corporate and governmental bonds, less liquid and restricted equity securities, and certain over-the-counter derivatives.

Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions. Included in this category for the Organization are investments made through the Community Foundation of Northern Colorado, which in turn invests in equities and bonds. Investments in publicly traded equities would be classified as Level 1 if owned directly.

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NOTES TO FINANCIAL STATEMENTS

NOTE 11 – Fair Value - Continued:

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets measured on a recurring basis at fair value:

Description	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by Community Foundation:				
May 31, 2016	\$ --	\$ --	\$ 2,468,445	\$ 2,468,445
May 31, 2015	--	--	2,530,599	2,530,599

The beneficial interest in assets held by Community Foundation is valued based upon information determined and reported by the Community Foundation and corroborated by management with the Community Foundation's audited financial statements.

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended:

Years Ended May 31	2016	2015
Beginning balance	\$ 2,530,599	\$ 2,433,296
Net realized/unrealized gains (losses) included in earnings	(59,805)	89,881
Other investment income	39,651	38,422
Purchases, insurance, and settlements, net	--	50,000
Distributions	(42,000)	(81,000)
Ending Balance	\$ 2,468,445	\$ 2,530,599

GAAP also requires disclosure for Level 3 investments of the change in unrealized gain included in the change in net assets related to investments still held at the reporting date. For the years ended May 31, 2016 and 2015, the Organization recorded unrealized gains of \$52,011 and \$97,480, respectively, which are reflected in investment income in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS

NOTE 12 – Donated Rent, Materials, and Supplies:

Donated rent, materials, and supplies are reflected as contributions in the accompanying statement of activities at the estimated fair values to the Organization at the date of receipt. Donated services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amount of donated contributions is as follows:

May 31	2016	2015
Donated materials and supplies	\$ 129,933	\$ 78,275
Donated rent	39,990	39,990
	<u>\$ 169,923</u>	<u>\$ 118,265</u>

NOTE 13 – Investments in Endowments:

The Organization's endowments consist of funds held by the Community Foundation (Note 4). The endowments are entitled *The Boys & Girls Club Loveland Endowment Fund* and *The Boys & Girls Clubs of Larimer County Endowment – Wellington Fund*. The purpose of the funds is to provide a stable source of funding for the operational, building maintenance and capital needs of the Organization's facility in Loveland, Colorado and a proposed facility in Wellington, Colorado. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. A portion of the endowments includes funds directed to the endowment by the Organization's board of directors and is referred to as board designated.

In 2008, the State of Colorado enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which governs the investment and management of donor-restricted endowment funds by not-for-profit organizations. The Financial Accounting Standards Board (FASB) has issued guidance on the net asset classification of donor-restricted endowment funds that are subject to UPMIFA as well as additional disclosure requirements for both donor-restricted and board-designated endowments.

Under FASB guidance, the portion of an endowment that is perpetual in nature shall be classified as permanently restricted net assets. The remaining portion of accumulations to donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as dictated by the donor, or in absence of donor stipulation, 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 & GIRLS CLUBS OF LARIMER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – Investments in Endowments - Continued:

The Board of Directors has adopted an investment policy to provide both current income and preservation of the principal portion of the endowment. The Board selected the Community Foundation’s Balanced Investment Pool, which has an asset mix of 40% fixed income and 60% equities.

The endowment spending policy is determined pursuant to the agreement with the Community Foundation. Distributions from the Community Foundation are available at up to 7% year-to-year of the fair market value of the funds. For the years ended May 31, 2016 and 2015, distributions were elected in the amounts of \$42,000 and \$81,000, respectively.

Changes in invested endowment net assets for the years ended May 31, 2016 and 2015 are as follow:

	Unrestricted (Board Designated)	Temporarily Restricted	Permanently Restricted	Total
Balances, June 1, 2014	\$ 966,891	\$ 265,043	\$ 1,201,362	\$ 2,433,296
Investment return				
Investment income	38,422	--	--	38,422
Net appreciation	12,560	77,321	--	89,881
Contributions	--	--	50,000	50,000
Appropriation of endowment assets for expenditure	(32,186)	(48,814)	--	(81,000)
Balances, May 31, 2015	985,687	293,550	1,251,362	2,530,599
Investment Return:				
Investment income	39,651	--	--	39,651
Net depreciation	(47,501)	(12,304)	--	(59,805)
Contributions	--	--	--	--
Appropriation of endowment assets for expenditure	(16,359)	(25,641)	--	(42,000)
Balances, May 31, 2016	\$ 961,478	\$ 255,605	\$ 1,251,362	\$ 2,468,445

At May 31, 2016, the balances for the Wellington and Loveland endowments were \$5,162 and \$2,463,283, respectively.