2015
Financial Statements
With
Auditor's Letters

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

DECEMBER 31, 2015

(With Independent Auditor's Report Thereon)

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
FINANCIAL STATEMENTS
DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014

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PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Boys & Girls Clubs of Middle Tennessee

We have audited the accompanying financial statements of the Boys & Girls Clubs of Middle Tennessee (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, 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 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 the Boys & Girls Clubs of Middle Tennessee as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Boys & Girls Clubs of Middle Tennessee's 2014 financial statements, and our report dated April 6, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson Hardee & Ballentine

March 8, 2016

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2014

ASSETS

	2015	2014
Current Assets:		
Cash and cash equivalents	$ 968,872	$ 690,723
Grants and contracts receivable	76,656	43,553
Contributions receivable, net	58,306	60,646
Prepaid expenses and deposits	24,461	13,942
Investments	132,206	533,432
Total current assets	1,260,501	1,342,296
Property and Equipment - net	1,248,107	1,231,096
Assets Whose Use is Limited:		
Cash	62,704	514,232
Grants receivable	57,614	57,614
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	26,608	27,149
Investments	927,298	475,752
Membership rights - net of amortization	37,500	67,500
Capital campaign assets:		
Cash	758,324	757,907
Contributions receivable - net	-	96,131
Total assets whose use is limited	1,870,048	1,996,285
	$ 4,378,656	$ 4,569,677

LIABILITIES AND NET ASSETS

	2015	2014
Current Liabilities:		
Accounts payable	$ 32,928	$ 75,392
Accrued expenses	53,537	58,567
Total current liabilities	86,465	133,959
Net Assets:		
Unrestricted	2,422,143	2,439,433
Restricted Net Assets:		
Temporarily restricted	904,942	1,030,638
Permanently restricted	965,106	965,647
Total restricted net assets	1,870,048	1,996,285
Total Net Assets	4,292,191	4,435,718
	$ 4,378,656	$ 4,569,677

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
Public Support and Revenue:					
Individual gifts and contributions	$ 750,759	$ 1,433	$ 275	$ 752,467	$ 840,543
Grants and contracts	637,729	15,228	-	652,957	553,690
United Way grants, allocations, and designations	13,656	100,000	-	113,656	123,153
Special events	701,462	-	-	701,462	637,457
Program service fees	414,062	-	-	414,062	360,742
Gain on sale of asset	-	-	-	-	1,000
Donated rent	48,790	-	-	48,790	48,790
Investment income - net	36,678	(16,692)	(816)	19,170	48,371
Other	18,798	-	-	18,798	37,614
Net assets released from restrictions	225,665	(225,665)	-	-	-
Total public support and revenue	2,847,599	(125,696)	(541)	2,721,362	2,651,360
Expenses:					
Program services:					
Comprehensive Youth Development	2,351,474	-	-	2,351,474	1,970,503
Supporting services:					
Management and general	232,062	-	-	232,062	215,805
Fundraising	281,353	-	-	281,353	314,291
Total expenses	2,864,889	-	-	2,864,889	2,500,599
Increase (decrease) in net assets	(17,290)	(125,696)	(541)	(143,527)	150,761
Net assets - beginning of year	2,439,433	1,030,638	965,647	4,435,718	4,284,957
Net assets - end of year	$ 2,422,143	$ 904,942	$ 965,106	$ 4,292,191	$ 4,435,718

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015				
	Program Services	Supporting Services			
	Comprehensive Youth Development	Management and General	Fundraising	Total 2015	Total 2014
Salaries	$ 1,165,940	$ 120,567	$ 82,334	$ 1,368,841	$ 1,160,789
Employee taxes & benefits	174,859	25,925	15,184	215,968	212,224
Total payroll & related expenses	1,340,799	146,492	97,518	1,584,809	1,373,013
Awards and grants	1,326	330	-	1,656	625
Communications	13,391	1,687	-	15,078	12,151
Bad debt	102,400	-	-	102,400	-
Increase in allowance for doubtful accounts	7,625	-	-	7,625	-
Depreciation & amortization	72,210	1,474	30,000	103,684	97,920
Equipment rental and maintenance	67,119	9,651	-	76,770	43,073
Field trips & other youth events	59,312	-	-	59,312	69,032
In-kind expense	48,790	-	-	48,790	48,790
Marketing	7,216	-	3,093	10,309	33,727
Membership dues	38,208	4,267	-	42,475	34,359
Miscellaneous	8,349	6,858	2,646	17,853	43,904
Postage	409	1,229	410	2,048	2,938
Professional fees	61,829	22,156	1,316	85,301	74,115
Special events	84,779	-	144,925	229,704	239,633
Supplies	181,900	10,186	175	192,261	157,726
Training and conferences	14,726	11,202	-	25,928	31,874
Transportation	54,841	-	-	54,841	54,653
Travel and mileage	8,166	1,338	1,003	10,507	9,171
Utilities and occupancy costs	178,079	15,192	267	193,538	173,895
	$ 2,351,474	$ 232,062	$ 281,353	$ 2,864,889	$ 2,500,599

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015	2014
Cash Flows From Operating Activities:		
Increase in net assets	$ (143,527)	$ 150,761
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	103,684	97,920
Realized gain on investments	(58,231)	(3,851)
Adjustments to allowance	7,625	-
Bad debts	102,400	-
Present value discount	(3,894)	-
Dividends and interest reinvested	(6,011)	(7,462)
Donated property and equipment	-	(589)
Gain on sale of property and equipment	-	(1,000)
Unrealized gains on investments	81,892	(38,226)
Noncash donation	(275)	-
Change in value of beneficial interest in agency endowment fund	(414)	(2,800)
Changes in:		
Grants and contracts receivable	(33,103)	83,285
Contributions receivable	(7,660)	(54,738)
Prepaid expenses and deposits	(10,519)	(1,507)
Assets whose use is limited	85,143	6,815
Accounts payable	(42,464)	48,343
Accrued expenses	(5,030)	21,634
Total adjustments	213,143	147,824
Net cash provided by operating activities	69,616	298,585
Cash Flows From Investing Activities:		
Proceeds from sale of investment	299,228	1,000
Purchase of property and equipment	(90,695)	-
Net cash provided by (used in) investing activities	208,533	1,000
Net increase in cash	278,149	299,585
Cash and cash equivalents - beginning of year	690,723	391,138
Cash and cash equivalents - end of year	$ 968,872	$ 690,723

Supplemental Cash Flow Information

Interest paid during the year ended December 31, 2015 and 2014, was $0 and $0, respectively.

See accompanying notes to financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

In these notes, the terms "Organization", "we", "us" or "our" mean Boys & Girls Clubs of Middle Tennessee. We have chosen to present our name how it is recognized nationally as "Boys & Girls Clubs of Middle Tennessee," rather than our official name of "Boys and Girls Clubs of Middle Tennessee" in accordance with the Secretary of State. We are a nonprofit organization affiliated with the Boys & Girls Clubs of America. Founded in 1917, the Boys & Girls Clubs of Middle Tennessee consist of six Club facilities throughout the region. The goal of the organization is to enable all young people, especially those who need us most, to reach their full potential as productive, caring, and responsible citizens. We strive to improve each child's life by instilling in them a sense of competence, usefulness, belonging, and power/influence. We focus on three priority outcomes: academic success, healthy lifestyles, good character and citizenship.

Basis of Presentation

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

> Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
>
> Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may, or will be, met by our actions 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 us. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes.

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), we believe this information is useful and have included certain summarized financial information from our 2014 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our financial statements as of and for the year ended December 31, 2014, from which it was derived.

Reclassifications

Certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

Revenue

We recognize revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Cash Equivalents

For the purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be a cash equivalent. At December 31, 2015, we had cash equivalents in the amount of $157,641. At December 31, 2014, we had no cash equivalents.

Contributions Receivable

Unconditional promises to give (pledges) are recognized as contribution revenue when the donor's commitment is received. Pledges with payments due to us in future periods are recorded as increases in temporarily restricted or permanently restricted net assets at the estimated present value of future cash flows, net of an allowance for estimated uncollectible promises. Allowance is made for uncollectible contributions receivable based upon our analysis of past collection experience and other judgmental factors. At December 31, 2015 and 2014, an allowance of $76,720 and $29,095, respectively, was considered necessary.

In contrast to unconditional promises as described above, conditional promises are not recorded until donor contingencies are substantially met.

Grant Receivable

We recognize grant revenue when the grant is awarded. At December 31, 2015 and 2014, no allowance was considered necessary for uncollectible grant receivables based upon our analysis of past collection experience with grantors.

Prepaid expenses

Prepaid expenses consist of insurance premiums paid by us in advance.

Property and Equipment

Property and equipment is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. Our capitalization policy is to capitalize any expenditure over $5,000 for property and equipment, and any expenditure over $500 for leasehold improvements. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2015 and 2014, no assets were considered to be impaired.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising is expensed as incurred. Total advertising expense for the years ended December 31, 2015 and 2014, was $10,309 and $33,727, respectively.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Donated Services and Goods

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

We received donated rent for the years ended December 31, 2015 and 2014, of $48,790 and $48,790, respectively. See Note 13.

Income Taxes

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes. We are not subject to examination by U.S. federal or state taxing authorities for years before 2012.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to short maturities of these instruments.

NOTE 2 - Contributions Receivable

Contributions receivable consisted of the following at December 31:

	2015	2014
Due in less than one year	$ 68,306	$ 60,646
Due in one to five years	39,790	142,190
	108,096	202,836
Less: discounts to net present value	(13,070)	(16,964)
Less: allowance for doubtful accounts	(36,720)	(29,095)
Net contributions receivable	$ 58,306	$ 156,777

NOTE 2 - Contributions Receivable (continued)

Contributions receivable as shown on the financial statements as follows at December 31:

	2015	2014
Contributions receivable	$ 68,306	$ 60,646
Asset whose use is limited: Capital campaign assets – contributions receivable - net	-	96,131
Net contributions receivable	$ 68,306	$ 156,777

One hundred percent (100%) of the capital campaign contributions receivable are from Board members. Capital campaign activities have been put on hold as management and the board of directors assess the capital needs of the Organization. The initial timing of the expected collection period has been extended due to this re-evaluation. As of March 8, 2016, no capital expenditure commitments have been made.

NOTE 3 - Investments

Investments consisted of the following at December 31:

	2015		2014	
	Market Value	Cost	Market Value	Cost
Mutual Funds	$ -	$ -	$ 271,161	$ 258,038
Common Stock - Public	-	-	340,733	219,520
First LLC Ownership	132,206	133,506	136,875	133,506
Foreign Stock	-	-	10,415	10,371
Equity	656,930	616,721	-	-
Fixed Income Taxable	192,252	195,286	-	-
Real Estate	52,874	53,071	-	-
Commodities	25,242	30,223	-	-
	1,059,504	1,028,807	759,184	621,435
Second LLC Ownership (see description below)	-	-	250,000	250,000
	1,059,504	$ 1,028,807	1,009,184	$ 871,435
Less: restricted investments	(927,298)		(475,752)	
	$ 132,206		$ 533,432	

NOTE 3 – Investments (continued)

Investment income (loss) consisted of the following for the years ended December 31:

	2015	2014
Interest and dividend income	$ 15,407	$ 16,275
Realized gain - net	107,459	3,851
Unrealized gain - net	(88,330)	37,721
Investment fees	(15,366)	(9,476)
Investment income - net	$ 19,170	$ 48,371

At December 31, 2015, our investments were held in a trust, we are the sole beneficiary of this trust.

At December 31, 2015, we owned units of ownership in one limited liability company (LLC). Our ownership is a result of a contribution made in 2010. At December 31, 2014, we owned units of ownership in two limited liability companies (LLCs).

We have elected to report other investments that do not have a readily determinable value, at carrying value, except those for which the fair value option has been elected.

We have recognized the first LLC ownership interest at fair market value in accordance with generally accepted accounting principles under the fair value option. The fair value of the ownership interest is measured annually based on the values of the underlying investment held in the LLC. As of December 31, 2015 and 2014, the fair value of this ownership interest was $132,206 and $136,875, respectively.

During 2015, we sold all of our units of ownership in a limited liability company (LLC), for a sales price of $299,228. This sale resulted in a recognized gain of $49,228.

NOTE 4 - Fair Value Measurements

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following 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.

NOTE 4 - Fair Value Measurements (continued)

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2015:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Common Stocks-Public	$ 656,930	$ 656,930	$ 656,930	$ -	$ -
First LLC Ownership	132,206	132,206	-	132,206	-
Fixed Income Taxable	192,252	192,252	192,252	-	-
Real Estate	52,874	52,874	52,874	-	-
Commodities	25,242	25,242	25,242	-	-
Beneficial interest in agency endowment fund	26,608	26,608	-	-	26,608
	$ 1,086,112	$ 1,086,112	$ 927,298	$ 132,206	$ 26,608

As shown on the financial statements as follows at December 31:

	2015	2014
Unrestricted investments	$ 132,206	$ 533,432
Restricted investments	927,298	475,752
	1,059,504	1,009,184
Beneficial interest in agency endowment fund	26,608	27,149
	$ 1,086,112	$ 1,036,333

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2014:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Mutual Funds	$ 271,161	$ 271,161	$ 271,161	$ -	$ -
Common Stocks-Public	340,733	340,733	340,733	-	-
First LLC Ownership	136,875	136,875	-	136,875	-
Foreign Stock	10,415	10,415	10,415	-	-
Beneficial interest in agency endowment fund	27,149	27,149	-	-	27,149
Second LLC Ownership	250,000	n/a	n/a	n/a	n/a
	$ 1,036,333	$ 786,333	$ 622,309	$ 136,875	$ 27,149

There were no transfers between Level 1, Level 2, and Level 3 investments during the years ended December 31, 2015 and 2014.

A reconciliation of changes in the amounts reported for the asset valued using Level 3 inputs is included in Note 9.

NOTE 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2015	2014
Land	$ 26,530	$ 26,530
Buildings and improvements	2,706,179	2,691,748
Vehicles	316,565	243,065
Furniture, equipment and software	504,890	502,126
	3,554,164	3,463,469
Less accumulated depreciation	(2,306,057)	(2,232,373)
Net property and equipment	$ 1,248,107	$ 1,231,096

Total depreciation expense for the years ended December 31, 2015 and 2014, was $73,684 and $67,920, respectively.

The Thompson Lane facility is not currently in use and has a net book value of approximately $21,965 as of December 31, 2015 and 2014, see NOTE 18.

NOTE 6 - Membership Rights

During 2007, we entered into a membership purchase agreement with the Golf Club of Tennessee (the "Club") and paid $300,000 for membership rights. We received a restricted contribution to finance the membership, which allows for 10 years of annual fundraising golf tournaments at the Club and the right to unlimited use of the Club's facilities for the cultivation and solicitation of donors. We have no equity or ownership or any other property interest in the Club. We are amortizing the cost of the membership rights over the term of the agreement. For the years ended December 31, 2015 and 2014, we reported amortization expense of $30,000.

Amortization expense will be $30,000 each year for the years 2015 and 2016, respectively, and $7,500 for the year 2017. See Note 7 for inclusion of membership rights, net of amortization.

NOTE 7 - Temporarily Restricted Net Assets

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

	2015	2014
Scholarship - Youth of the Year	$ 30,147	$ 31,146
United Way of Williamson County	50,000	50,000
City of Franklin grant	7,615	7,614
Ray White Fund	20,350	20,340
Membership rights - net of amortization	37,500	67,500
Scholarships	1,008	-
Capital Campaign	758,322	854,038
	$ 904,942	$ 1,030,638

NOTE 8 - Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at December 31:

	2015	2014
Beneficial interest in agency endowment fund	$ 26,608	27,149
Endowment fund	938,498	938,498
	$ 965,106	965,647

NOTE 9 - Beneficial Interest in Agency Endowment Fund

In the years ended December 31, 2015 and 2014, the Community Foundation of Middle Tennessee, (the Foundation) a non-profit organization, is in control of an endowment fund for us. The endowment has been recorded as permanently restricted. The Foundation has ultimate authority and control over all property of the fund and the income derived therefrom. The endowment is considered a reciprocal transfer and is therefore recorded as an asset on our Statement of Financial Position.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Since the Foundation has control over the fund and the earnings, we have not established an investment policy for the fund nor have we established policies for expenditures from the fund. We are not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by the donors. We recognize contribution income when the Foundation makes a distribution to us. We recognize investment earnings and fees in the Statement of Activities, as they are reported to us by the Foundation.

The following is the balance and activity reported in our financial statements for the years ended December 31:

	2015	2014
Balance - beginning of period	$ 27,149	$ 23,438
Change in value of beneficial interest in agency endowment fund:		
Contributions	275	2,800
Investment income	(552)	1,091
Administrative expenses	(264)	(180)
	(541)	3,711
Balance - end of period	$ 26,608	$ 27,149

NOTE 10 - Endowment Funds

Our endowment consists of funds established by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. Our permanently restricted endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about our endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not we are subject to UPMIFA.

Interpretation of applicable law - The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy - we have a policy of appropriating for distribution each year a payout equal to the total earnings from the funds. Funds released from restriction as of December 31, 2015, were ($16,692). Funds released from restriction as of December 31, 2014, were $45,241.

Investment return objective, risk parameters and strategies - The objective of our endowment portfolio is a balanced approach between equities and fixed income securities. The investment horizon is long-term and balances the need for income and growth. The portfolio allows for a 30% to 70% investment in equities and a 30% to 70% investment in fixed income.

At December 31, 2015, our investments were held in a trust, we are the sole beneficiary of this trust.

A schedule of endowment net asset composition by type of fund as of December 31, 2015, is as follows:

	Unrestricted (Deficit)	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 146,442	$ -	$ 938,498	$ 1,084,940

A schedule of endowment net asset composition by type of fund as of December 31, 2014, is as follows:

	Unrestricted (Deficit)	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 533,432	$ -	$ 938,498	$ 1,471,930

NOTE 11 - Changes in Endowment Fund Net Assets

The following is a schedule of changes in endowment net assets for the years ended December 31:

	Unrestricted (Deficit)	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	$ 491,953	$ -	$ 938,498	$ 1,430,451
Investment income	-	15,346	-	15,346
Administrative expenses	-	(9,300)	-	(9,300)
Net appreciation (realized and unrealized)	2,721	39,195	-	41,916
Amounts released from restriction	45,241	(45,241)	-	-
Less: Investment earnings deposited to cash account	(6,483)	-	-	(6,483)
Endowment net assets, December 31, 2014	$ 533,432	$ -	$ 938,498	$ 1,471,930
Investment income	-	14,983	-	14,983
Administrative expenses	-	(8,979)	-	(8,979)
Net appreciation (realized and unrealized)	(4,669)	(22,696)	-	(27,365)
Amounts sold	(250,000)	-	-	(250,000)
Amounts released from restriction	(16,692)	16,692	-	-
Less: Investment earnings deposited to cash account	16,577	-	-	16,577
Less: Investments not included in endowment	(132,206)	-	-	(132,206)
Endowment net assets, December 31, 2015	$ 146,442	$ -	$ 938,498	$ 1,084,940

NOTE 12 - Joint Costs

During the year ended December 31, 2015, we had certain joint costs pertaining to special events that have been allocated between fundraising and program expense as follows:

	Program	Fundraising	Total
Special events	$ 84,779	$ 144,925	$ 229,704

NOTE 12 - Joint Costs (continued)

During the year ended December 31, 2014, we had certain joint costs pertaining to special events that have been allocated between fundraising and program expense as follows:

	Program	Fundraising	Total
Special events	$ 83,926	$ 155,707	$ 239,633

All criteria required to allocate joint costs were met during the years ended December 31, 2015 and 2014.

NOTE 13 - Leases

We have an agreement with another organization to lease administrative office space and reimburse certain operating costs through June 2015. The agreement calls for a reimbursement of actual costs to operate the facility including association fees, utilities, janitorial costs, insurance, maintenance and other items. Operating costs reimbursable under the agreement include a prorata share of an office services associate, telephone and internet service, consumable supplies and other items. An accounting of the actual costs is prepared on a semi-annual basis and any adjustment from the projected cost to the actual cost is reimbursed at that time. For the years ended December 31, 2015 and 2014, expenses under this agreement totaled $21,804 and $18,075, respectively.

On December 1, 2007, we entered into a lease agreement for a club facility that has been extended and expires October 31, 2016. Expenses under this agreement totaled $13,200 for the year ended December 31, 2015, and $13,200 for the year ended December 31, 2014.

We also lease various office equipment under operating lease agreements. Equipment rental expense for the years ended December 31, 2015 and 2014, was $9,936 and $8,537, respectively, which is included in equipment rental and maintenance on the Statement of Functional Expenses.

Expenses incurred under operating leases for the year ended December 31, 2015, were $44,950, not including donated rent of $48,790 from two club locations we do not have a lease agreement with and one with whom we do. Expenses incurred under operating leases for the year ended December 31, 2014, were $39,822, not including donated rent of $48,790.

The following is a schedule of future minimum lease payments:

Year Ending December 31,	
2016	$ 29,212
2017	1,068
2018	1,068
2019	623
2020	-
Thereafter	-
	$ 31,971

NOTE 14 - Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, and various grant, contract and contributions receivables. Grant, contract and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

Four donors represent 85% of total receivables at December 31, 2015. Three donors represent 72% of total receivables at December 31, 2014. We were due 39% of accounts payable from one vender at December 31, 2015.

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe this exposes us to any significant credit risk on our cash.

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Organization's securities is covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to $500,000, including up to $250,000 in cash. The SIPC does not insure against market risk.

NOTE 15 - Employee Benefit Plan

Substantially all of our employees are covered by a defined contribution money purchase plan known as the Boys & Girls Clubs of America Master Pension Plan and Trust (the "Plan"). We fund our share of pension expense for the year in quarterly contributions to the Plan.

The plan provides for elective employer contributions. We contribute five percent of eligible employees' annual compensation to the Plan. Employees become eligible to participate on the plan anniversary date if they are at least 21 years of age and have worked at least 1,000 hours in the immediately preceding twelve months. Employee benefits are fully vested after six years of service as a plan participant.

For the year ended December 31, 2015, we contributed $27,336 to the plan, which is included in employee taxes and fringe benefits on the Statement of Functional Expenses. For the year ended December 31, 2014, we contributed $35,026 to the plan, which is included in employee taxes and fringe benefits on the Statement of Functional Expenses.

NOTE 16 - Related Parties

We are a locally governed affiliate that is required to pay membership dues to the national organization. In return, we receive support from the national organization which helps fund our programs. During the year ended December 31, 2015, we remitted a total of $8,150 respectively, in membership dues and received $252,019 in funding. As of December 31, 2015, we were due $6,072 from our national affiliate, which is grouped with grants and contract receivable. During the year ended December 31, 2014, we remitted a total of $8,150 respectively, in membership dues and received $177,341 in funding. As of December 31, 2014, we were due $3,000 from our national affiliate, which is grouped with grants and contract receivable.

We are also part of the Tennessee Alliance which is a collective of all Boys & Girls Clubs of Tennessee which raises money to distribute to the Tennessee clubs. During the year ended December 31, 2015, we remitted $28,689 in membership dues and received funding of $233,775. As of December 31, 2015, we were due $19,956 from Tennessee Alliance, which is grouped with grants and contract receivable. During the year ended December 31, 2014, we remitted $22,841 in membership dues and received funding of

NOTE 16 – Related Parties (continued)

$154,529. As of December 31, 2014, we were due $40,552 from Tennessee Alliance, which is grouped with grants and contract receivable.

NOTE 17 – Contingencies

From time to time, we may be and have been named as a defendant in lawsuit. At December 31, 2015, we do not believe that any claims have merit and intend to vigorously defend our position. At December 31, 2015, we have not accrued any legal fees.

NOTE 18 – Held for Sale Assets

At December 31, 2015, we included assets in property, plant, and equipment on the statement of financial position that are held for sale. Accounting principles generally accepted in the United States of America require that assets that are held for sale be recorded as a separate line item on the statement of financial position. We have determined that the amount of these assets is not material to the financial statements as a whole, therefore do not consider it necessary to separate them on the statement of financial position. As of December 31, 2015, we were unable to determine the sale date of these assets as well as estimate a gain or loss on their sale, see NOTE 5.

NOTE 19 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2015. As of March 8, 2016, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements, except as indicated in Note 3.

PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

March 8, 2016

To the Board of Directors
Boys & Girls Club of Middle Tennessee

We have audited the financial statements of Boys & Girls Club of Middle Tennessee for the year ended December 31, 2015, and have issued our report thereon dated March 8, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 5, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Boys & Girls Club of Middle Tennessee are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure in Note 1 to the financial statements explaining the summarized financial information presented in 2014
>
> The disclosure in Note 1 to the financial statements explaining the basis of allocation of functional expenses into their appropriate functional categories
>
> The disclosure in Note 4 to the financial statements regarding fair value measurements.
>
> The disclosure in Note 10 to the financial statements explaining the endowment funds and the schedules for unrestricted and permanently restricted endowment funds.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management: pledges receivable and the change in temporarily restricted net assets.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 8, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors of Boys & Girls Club of Middle Tennessee and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Patterson Hardee & Ballentine

Boys & Girls Clubs of Middle Tennessee
Schedule of Uncorrected Misstatements
Decemebr 31, 2015

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	W/P Reference	Financial Statement Effect—Amount of Over (Under) Statement of: Total Assets	Total Liabilities	Net Assets	Revenues	Expenses	Change in Net Assets	Working Capital
Prepaid expenses recorded as expenses	F	Insurance company has promised refund, amount will be adjusted until refund is collected.	G-1	$7,228	$0	$0	$0	-$7,228	$7,228	$7,228
									$0	
Total				$7,228	$0	$0	$0	-$7,228	$7,228	$7,228
Less Audit Adjustments Subsequently Booked									$0	
Unadjusted AD—Current Year (Iron Curtain Method)				$7,228	$0	$0	$0	-$7,228	$7,228	$7,228
Effect of Unadjusted AD—Prior Years									$0	
Combined Current and Prior Year AD (Rollover Method)				$7,228	$0	$0	$0	-$7,228	$7,228	$7,228
Financial Statement Caption Totals				$4,388,656	$86,465	$4,302,191	$2,721,362	$2,854,889	-$133,527	$1,184,036
Current Year AD as % of FS Captions (Iron Curtain Method)				0.16%	0.00%	0.00%	0.00%	-0.25%	-5.41%	0.61%
Current and Prior Year AD as % of FS Captions (Rollover Method)				0.16%	0.00%	0.00%	0.00%	-0.25%	-5.41%	0.61%