2017

Financial Statements
With
Auditor's Letters

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

DECEMBER 31, 2017

WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016

(With Independent Auditor's Report Thereon)

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016

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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, 2017, 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 Boys & Girls Clubs of Middle Tennessee as of December 31, 2017, 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.

Emphasis of Matter

As discussed in NOTE 20 to the financial statements, temporarily restricted net assets were overstated in previously issued financial statements. Our opinion is not modified with respect to that matter.

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Report on Summarized Comparative Information

We have previously audited the Boys & Girls Clubs of Middle Tennessee's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2017. In our opinion, except as noted in the Emphasis of Matter paragraph, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson Hardee & Ballentine

April 13, 2018

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2016

ASSETS

	2017	2016
Current Assets:		
Cash and cash equivalents	$ 1,129,662	$ 1,421,935
Grants and contracts receivable	415,314	77,373
Contributions receivable, net	2,615	97,119
Prepaid expenses and deposits	16,574	41,792
Investments	416,344	328,018
Total current assets	1,980,509	1,966,237
Property and Equipment, net	1,365,452	1,449,741
Membership rights, net	17,333	7,500
	1,382,785	1,457,241
Assets Held for Sale, net	29,965	29,965
Assets Whose Use is Limited:		
Cash	125,543	151,524
Grants receivable	56,184	55,058
Restricted pledges, net	72,199	78,547
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	32,964	28,981
Investments	938,498	938,498
Total assets whose use is limited	1,225,388	1,252,608
	$ 4,618,647	$ 4,706,051

LIABILITIES AND NET ASSETS

	2017	2016
Current Liabilities:		
Note payable - current portion	$ 44,917	$ 39,229
Accounts payable	46,767	42,245
Accrued expenses	79,676	81,047
Total current liabilities	171,360	162,521
Note payable - long-term portion	220,633	269,200
Total liabilities	391,993	431,721
Net Assets:		
Unrestricted	3,001,266	3,014,222
Restricted Net Assets:		
Temporarily restricted	253,926	292,629
Permanently restricted	971,462	967,479
Total restricted net assets	1,225,388	1,260,108
Total Net Assets	4,226,654	4,274,330
	$ 4,618,647	$ 4,706,051

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017 Unrestricted	2017 Temporarily Restricted	2017 Permanently Restricted	Total 2017	Total 2016
Public Support and Revenue:					
Gross special events revenue	$ 670,217	$ -	$ -	$ 670,217	$ 593,821
Less direct cost of special events	(292,901)	-	-	(292,901)	(246,428)
Net special events revenue	377,316	-	-	377,316	347,393
Individual gifts and contributions	584,470	3,652	-	588,122	881,241
Grants and contracts	895,770	4,500	-	900,270	766,020
United Way grants, allocations, and designations	63,577	51,684	-	115,261	125,284
Program service fees	619,458	-	-	619,458	520,948
Gain on sale of asset	2,000	-	-	2,000	-
Donated rent	86,790	-	-	86,790	107,267
Investment income - net	7,968	188,432	3,983	200,383	85,591
Recovery of bad debt	25,000	-	-	25,000	-
Other, net of $38,118 direct expenses in in 2016, $0 in 2017	45,515	29	-	45,544	58,643
Net assets released from restrictions	287,000	(287,000)	-	-	-
Total public support and revenue	2,994,864	(38,703)	3,983	2,960,144	2,892,387
Expenses:					
Program services:					
Comprehensive youth development	2,578,285	-	-	2,578,285	2,294,836
Supporting services:					
Management and general	289,603	-	-	289,603	310,457
Fundraising	139,932	-	-	139,932	304,955
Total expenses	3,007,820	-	-	3,007,820	2,910,248
Increase (decrease) in net assets	(12,956)	(38,703)	3,983	(47,676)	(17,861)
Net assets at beginning of year:					
As previously reported	2,255,485	1,051,366	967,479	4,274,330	4,292,191
Adjustment for release of restriction	758,737	(758,737)	-	-	-
Balance at beginning of year, as restated	3,014,222	292,629	967,479	4,274,330	4,292,191
Net assets at end of year	$ 3,001,266	$ 253,926	$ 971,462	$ 4,226,654	$ 4,274,330

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017				
	Program Services	Supporting Services			
	Comprehensive Youth Development	Management and General	Fundraising	Total 2017	Total 2016
Salaries	$ 1,394,628	$ 140,575	$ 96,083	$ 1,631,286	$ 1,608,543
Employee taxes & benefits	226,738	26,347	18,588	271,673	227,216
Total payroll & related expenses	1,621,366	166,922	114,671	1,902,959	1,835,759
Awards and grants	685	-	-	685	3,236
Communications	15,767	1,982	-	17,749	17,503
Increase in allowance for doubtful accounts	-	-	-	-	15,000
Depreciation & amortization	116,645	2,381	16,167	135,193	134,331
Equipment rental and maintenance	25,704	7,020	-	32,724	51,296
Field trips & other youth events	45,308	-	-	45,308	32,319
In-kind expense	86,790	-	-	86,790	107,267
Interest expense	13,436	-	-	13,436	10,043
Marketing	7,958	-	3,411	11,369	16,846
Membership dues	28,966	3,287	-	32,253	30,222
Miscellaneous	20,041	33,843	2,992	56,876	66,986
Postage	465	1,395	465	2,325	2,337
Professional fees	69,864	26,333	925	97,122	101,101
Special events	104,610	-	188,291	292,901	246,428
Supplies	217,182	15,754	118	233,054	179,585
Training and conferences	15,282	12,926	-	28,208	34,337
Transportation	76,105	-	-	76,105	57,696
Travel and mileage	8,973	1,500	1,125	11,598	10,460
Utilities and occupancy costs	207,748	16,260	58	224,066	203,924
Total expenses by function	2,682,895	289,603	328,223	3,300,721	3,156,676
Less expenses included with revenues on the statement of activities:					
Direct cost of special events	(104,610)	-	(188,291)	(292,901)	(246,428)
Total expenses included in the expense section on the statement of activities	$ 2,578,285	$ 289,603	$ 139,932	$ 3,007,820	$ 2,910,248

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017	2016
Cash Flows From Operating Activities:		
Decrease in net assets	$ (47,676)	$ (17,861)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	135,193	134,331
Realized (gain) loss on investments	(92,352)	12,801
Adjustments to allowance	25,000	(11,720)
Bad debts	-	39,790
Present value discount	-	(13,070)
Unrealized gains on investments	(80,274)	(72,756)
Change in value of beneficial interest in agency endowment fund	(3,983)	(2,373)
Changes in:		
Grants and contracts receivable	(337,941)	(717)
Contributions receivable	69,504	(53,813)
Prepaid expenses and deposits	25,218	(17,331)
Assets whose use is limited	31,203	(171,053)
Accounts payable	4,522	9,317
Accrued expenses	(1,371)	27,510
Total adjustments	(225,281)	(119,084)
Net cash used in operating activities	(272,957)	(136,945)
Cash Flows From Investing Activities:		
Proceeds from sale of investment	545,009	532,393
Purchase of investments	(460,709)	(673,621)
Purchase of property and equipment	(34,737)	-
Purchase of intangible asset	(26,000)	-
Net cash provided by (used in) investing activities	23,563	(141,228)
Cash Flows From Financing Activities:		
Payments on long-term debt	(42,879)	(27,501)
Net cash used in financing activities	(42,879)	(27,501)
Net decrease in cash	(292,273)	(305,674)
Cash and cash equivalents - beginning of year	1,421,935	1,727,609
Cash and cash equivalents - end of year	$ 1,129,662	$ 1,421,935

Supplemental Cash Flow Information

Interest paid during the year ended December 31, 2017 and 2016, was $13,436 and $10,043, 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 eight 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 2016 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, 2016, 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, 2017, we had cash equivalents in the amount of $142,910. At December 31, 2016, we had cash equivalents in the amount of $34,837.

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, 2017 and 2016, an allowance of $0 and $25,000, 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, 2017 and 2016, 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, 2017 and 2016, 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.

Marketing

Marketing is expensed as incurred. Total marketing expense for the years ended December 31, 2017 and 2016, was $11,369 and $16,846, 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, 2017 and 2016, of $86,790 and $107,267, 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.

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. The fair value of the note payable approximates the carrying amount and is estimated based on current rates offered to us. All of our financial instruments are categorized as level 1 in the fair value hierarchy.

NOTE 2 – Contributions Receivable

Contributions receivable consisted of the following at December 31:

	2017	2016
Due in less than one year	$ 12,615	$ 132,119
Due in one or more years	80,000	90,000
	92,615	222,119
Less: discounts to net present value	(17,801)	(21,453)
Less: allowance for doubtful accounts	-	(25,000)
Net contributions receivable	$ 74,814	$ 175,666

NOTE 2 – Contributions Receivable (continued)

Contributions receivable as shown on the Statement of Financial Position as follows at December 31:

	2017	2016
Contributions receivable, net	$ 2,615	$ 97,119
Restricted pledges, net	72,199	78,547
Net contributions receivable	$ 74,814	$ 175,666

Gross restricted pledges receivable of $100,000 for golf membership renewal rights in 2017 have been discounted for the time value of money using a discount rate of 4.65%. The rate was determined using the interest method after an allowance had been established. The net restricted pledges for the golf membership rights at December 31, 2017 and 2016 was $72,199 and $78,547, respectively.

NOTE 3 – Investments

Investments consisted of the following at December 31:

	2017		2016	
	Market Value	Cost	Market Value	Cost
LLC Ownership	$ 135,098	$ 133,506	$ 127,130	$ 133,506
Equity	845,744	641,448	786,673	658,693
Fixed Income Taxable	340,579	339,649	277,448	278,835
Real Estate	19,545	14,862	65,176	66,265
Commodities	13,876	12,822	10,089	9,711
	1,354,842	$ 1,142,287	1,266,516	$ 1,147,010
Less: restricted investments	(938,498)		(938,498)	
	$ 416,344		$ 328,018	

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

	2017	2016
Interest and dividend income	$ 38,236	$ 36,149
Realized gain (loss) - net	92,352	(12,801)
Unrealized gain - net	80,274	72,756
Investment fees	(14,462)	(11,886)
Change in value of beneficial interest In agency endowment fund (see NOTE 9)	3,983	1,373
Investment income - net	$ 200,383	$ 85,591

NOTE 3 – Investments (continued)

At December 31, 2017, our investments were held in a trust, we are the sole beneficiary of this trust.

At December 31, 2017, we owned units of ownership in a limited liability company (LLC). Our ownership is a result of a contribution made in 2010.

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 our 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, 2017 and 2016, the fair value of this ownership interest was $135,098 and $127,130, respectively.

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.

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, 2017:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Common Stocks-Public	$ 845,744	$ 845,744	$ 845,744	$ -	$ -
LLC Ownership	135,098	135,098	-	135,098	-
Fixed Income Taxable	340,579	340,579	340,579	-	-
Real Estate	19,545	19,545	19,545	-	-
Commodities	13,876	13,876	13,876	-	-
Beneficial interest in agency endowment fund	32,964	32,964	-	-	32,964
	$ 1,387,806	$ 1,387,806	$ 1,219,744	$ 135,098	$ 32,964

NOTE 4 – Fair Value Measurements (continued)

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

	2017	2016
Unrestricted investments	$ 416,344	$ 328,018
Restricted investments	938,498	938,498
	1,354,842	1,266,516
Beneficial interest in agency endowment fund	32,964	28,981
	$ 1,387,806	$ 1,295,497

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, 2016:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Common Stocks-Public	$ 786,673	$ 786,673	$ 786,673	$ -	$ -
LLC Ownership	127,130	127,130	-	127,130	-
Fixed Income Taxable	277,448	277,448	277,448	-	-
Real Estate	65,176	65,176	65,176	-	-
Commodities	10,089	10,089	10,089	-	-
Beneficial interest in agency endowment fund	28,981	28,981	-	-	28,981
	$ 1,295,497	$ 1,295,497	$ 1,139,386	$ 127,130	$ 28,981

There were no transfers between Level 1, Level 2, and Level 3 investments during the years ended December 31, 2017 and 2016.

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:

	2017	2016
Land	$ 26,530	$ 26,530
Buildings and improvements	1,997,719	1,962,982
Vehicles	652,495	652,495
Furniture, equipment and software	504,890	504,890
	3,181,634	3,146,897
Less accumulated depreciation	(1,816,182)	(1,697,156)
Net property and equipment	$ 1,365,452	$ 1,449,741

NOTE 5 – Property and Equipment (continued)

Total depreciation expense for the years ended December 31, 2017 and 2016, was $119,026 and $104,331, respectively.

The Thompson Lane facility is not currently in use and has a net book value of $29,965 as of December 31, 2017. This fixed asset is segregated on the face of the financials. 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, 2017 and 2016, we reported amortization expense of $7,500 and $30,000, respectively.

In 2017, we renewed the membership purchase agreement with the Club for $260,000 for an additional 10 years. A $100,000 cash contribution and a $100,000 pledge were made in 2016 specifically to cover the cost. We wil pay the balance of $60,000 if we are unable to receive more contributions. In the agreement, the Club allowed for 10 $26,000 annual payments to cover the cost. See NOTE 2 for the pledge receivable and NOTE 7 for the inclusion of membership rights, net of amortization. The amortization expense for December 31, 2017 is $8,667. Total amortization expense for the year for membership rights was $16,167.

NOTE 7 – Temporarily Restricted Net Assets

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

	2017	2016
Scholarship - Youth of the Year	$ 30,165	$ 30,156
United Way of Williamson County	51,684	51,250
City of Franklin grant	4,500	3,808
Ray White Fund	20,370	20,360
Golf Membership Renewal	146,199	178,547
Membership rights - net of amortization	-	7,500
Scholarships	1,008	1,008
Capital Campaign	-	758,737
Total, as previously reported		1,051,366
Prior period adjustment (NOTE 20)	-	(758,737)
	$ 253,926	$ 292,629

NOTE 8 – Permanently Restricted Net Assets

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

	2017	2016
Beneficial interest in agency endowment fund	$ 32,964	$ 28,981
Endowment fund	938,498	938,498
	$ 971,462	$ 967,479

NOTE 9 – Beneficial Interest in Agency Endowment Fund

In the years ended December 31, 2017 and 2016, 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:

	2017	2016
Balance - beginning of period	$ 28,981	$ 26,608
Change in value of beneficial interest in agency endowment fund:		
Contributions	-	1,000
Investment income	4,183	1,621
Administrative expenses	(200)	(248)
Total change in value of beneficial interest in agency endowment fund	3,983	2,373
Balance - end of period	$ 32,964	$ 28,981

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, 2017, were $(188,432). Funds released from restriction as of December 31, 2016, were $(89,283).

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, 2017, our investments were held in a trust, we are the sole beneficiary of this trust.

A schedule of endowment net asset composition (including both the cash and investments) by type of fund as of December 31, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 424,157	$ -	$ 938,498	$ 1,362,655

A schedule of endowment net asset composition by type of fund as of December 31, 2016, is as follows:

	Unrestricted (Deficit)	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 235,725	$ -	$ 938,498	$ 1,174,223

NOTE 11 – Changes in Endowment Fund Net Assets

The following is a schedule of changes in endowment net assets for the two years ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2016	$ 146,442	$ -	$ 938,498	$ 1,084,940
Investment income	-	36,149	-	36,149
Administrative expenses	-	(11,886)	-	(11,886)
Net appreciation (realized and unrealized)	-	65,020	-	65,020
Amounts released from restriction	89,283	(89,283)	-	-
Endowment net assets, December 31, 2016	235,725	-	938,498	1,174,223
Investment income	-	38,236	-	38,236
Administrative expenses	-	(14,463)	-	(14,463)
Net appreciation (realized and unrealized)	-	164,659	-	164,659
Amounts released from restriction	188,432	(188,432)	-	-
Endowment net assets, December 31, 2017	$ 424,157	$ -	$ 938,498	$ 1,362,655

NOTE 12 – Joint Costs

During the year ended December 31, 2017, 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	$ 104,610	$ 188,291	$ 292,901

During the year ended December 31, 2016, 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	$ 90,965	$ 155,463	$ 246,428

All criteria required to allocate joint costs were met during the years ended December 31, 2017 and 2016.

NOTE 13 – Leases

We have an agreement with another organization to lease administrative office space and reimburse certain operating costs through June 2017. 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, 2017 and 2016, expenses under this agreement totaled $24,408 and $24,408 respectively.

On December 1, 2007, we entered into a lease agreement for a club facility that has been extended and expires October 31, 2018. Expenses under this agreement totaled $13,200 for the year ended December 31, 2017, and $13,200 for the year ended December 31, 2016.

We currently have a variable lease for 3 of our locations. The rent expense as of December 31, 2017, totaled $10,522. The monthly rent charged is calculated as follows: $2.80 per week per child based on the average number of children in attendance each week.

We also lease various office equipment under operating lease agreements. Equipment rental expense for the years ended December 31, 2017 and 2016, was $8,273 and $7,779, 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, 2017, were $56,403, not including donated rent of $86,790 from five club locations that 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, 2016, were $46,920, not including donated rent of $107,267. As of the date of this report, the lease for one of the office spaces has not been renewed but has been properly accrued for since it is expected to be renewed.

The following is a schedule of future minimum lease payments:

Year Ending December 31,	
2018	$ 7,440
2019	6,995
2020	1,098
	$ 15,533

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 79% of total receivables at December 31, 2017. Four donors represent 73% of total receivables at December 31, 2016. Four vendors represent 70% of total accounts payable at December 31, 2017. Two vendor represents 30% of total accounts payable at December 31, 2016.

NOTE 14 – Concentrations of Credit Risk (continued)

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. At December 31, 2017, we had $788,087 of uninsured cash and cash equivalents.

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, 2017, we contributed $63,407 to the plan, which is included in employee taxes and benefits on the Statement of Functional Expenses. For the year ended December 31, 2016, we contributed $32,910 to the plan, which is included in employee taxes and benefits on the Statement of Functional Expenses.

We have an HRA plan that is administered by a third party. Various times we have been underfunded and overfunded by an amount immaterial to the financial statements as a whole. Due to the amounts being immaterial, we expense the amounts as bills are due.

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, 2017, we remitted a total of $9,946 respectively, in membership dues and received $305,951 in funding. As of December 31, 2017, we were due $151,088 from our national affiliate, which is grouped with grants and contract receivable. During the year ended December 31, 2016, we remitted a total of $9,155 respectively, in membership dues and received $366,015 in funding. As of December 31, 2016, we were due $33,042 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, 2017, we remitted $22,307 in membership dues and received funding of $198,970. As of December 31, 2017, we were due $69,060 from Tennessee Alliance, which is grouped with grants and contracts receivable. During the year ended December 31, 2016, we remitted $17,796 in membership dues and received funding of $203,047. As of December 31, 2016, we were due $50,842 from Tennessee Alliance, which is grouped with grants and contracts receivable.

NOTE 17 – Contingencies

From time to time, we may be and have been named as a defendant in lawsuit. At December 31, 2017, we do not believe that any claims have merit and intend to vigorously defend our position. At December 31, 2017, we have not accrued any legal fees.

NOTE 18 – Assets Held for Sale

At December 31, 2016, we included assets in property, plant, and equipment on the statement of financial position that are held for sale. As of December 31, 2017 the assets were not sold. 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. The net book value of these assets at December 31, 2017, and 2016, was $29,965.

NOTE 19 – Note Payable

In April 2016, we entered into an agreement to purchase four vehicles for $335,930. The vehicles are secured by a loan which bears interest annually at 4.650% annually. Until maturity, the loan requires a minimum monthly payment of $4,693, which will be applied to the monthly interest calculation with any excess applied to principal. The note matures in April 2023, with any unpaid principal due at that time.

Year ending December 31,	
2018	$ 44,917
2019	47,050
2020	49,285
2021	51,627
2022	54,079
Thereafter	18,592
Total	$ 265,550

NOTE 20 – Prior Period Adjustment

A reclass from temporarily restricted to unrestricted net assets was made to the beginning net assets for $758,737 with a net effect of $0 in relation to the release of the capital campaign funds.

NOTE 21 – New Pronouncements

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Update provides guidance about the presentation of financial statements for non-profit organizations. The amendments in this Update are effective for annual periods beginning after December 15, 2017, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 21 – New Pronouncements (continued)

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements

NOTE 22 – Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2017. As of April 13, 2018, 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.