

BOYS & GIRLS CLUB FOX VALLEY, INC.
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2018 AND 2017

BOYS & GIRLS CLUB FOX VALLEY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Boys & Girls Club Fox Valley, Inc.
Appleton, Wisconsin

We have audited the accompanying financial statements of Boys & Girls Club Fox Valley, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, 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 standards 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Provider Agency Audit Guide*, 2019 revision, issued by the Wisconsin Department of Children and Families. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Club Fox Valley, Inc. as of December 31, 2018, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Boys & Girls Club Fox Valley, Inc. as of December 31, 2017, were audited by other auditors whose report dated July 30, 2018, expressed an unmodified opinion on those statements.

Hawkins Ash CPAs, LLP

Green Bay, Wisconsin
June 19, 2019

BOYS & GIRLS CLUB FOX VALLEY, INC.
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
	2018	2017
<u>ASSETS</u>		
Cash	\$ 754,995	\$ 718,387
Accounts receivable	367,048	339,133
Unconditional promises to give, net	699,537	1,453,583
Grants receivable	210,883	78,362
Prepaid expenses	27,075	12,519
Beneficial interests in Community Foundation	104,295	113,449
Property, plant, and equipment, net	11,309,880	11,599,662
Cash surrender value of life insurance	109,733	96,068
501c Trust unemployment	45,826	48,585
	\$ 13,629,272	\$ 14,459,748
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 47,477	\$ 59,816
Deferred revenue	12,773	-
Accrued liabilities	142,300	116,414
Refundable advances	80,433	79,063
Notes payable	-	298,829
Deferred compensation	109,733	96,067
Other liabilities	43,900	34,850
	436,616	685,039
NET ASSETS		
Without donor restrictions	11,431,923	11,726,084
With donor restrictions	1,760,733	2,048,625
	13,192,656	13,774,709
	\$ 13,629,272	\$ 14,459,748

The accompanying notes are an integral part of these statements.

BOYS & GIRLS CLUB FOX VALLEY, INC.
STATEMENTS OF ACTIVITIES

	YEAR ENDED DECEMBER 31,					
	2018			2017		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS AND OTHER SUPPORT						
Contributions	\$ 433,793	\$ 747,689	\$ 1,181,482	\$ 536,870	\$ 759,475	\$ 1,296,345
Special events, net of direct benefit to donors of \$227,427 and \$186,507 in 2018 and 2017, respectively	883,021	-	883,021	849,329	-	849,329
In-kind contributions	205,214	-	205,214	216,448	-	216,448
Program revenue	212,699	-	212,699	211,599	-	211,599
Grant revenue	573,890	-	573,890	438,572	-	438,572
United Way	113,946	325,001	438,947	-	391,701	391,701
Government sources	642,723	-	642,723	655,422	-	655,422
Change in beneficial interest	(9,154)	-	(9,154)	15,151	-	15,151
Interest income	2,429	-	2,429	620	-	620
Other income	11,571	-	11,571	14,750	-	14,750
Net assets released from restrictions	1,360,582	(1,360,582)	-	2,216,643	(2,216,643)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	4,430,714	(287,892)	4,142,822	5,155,404	(1,065,467)	4,089,937
EXPENSES						
Program	3,903,437	-	3,903,437	3,462,578	-	3,462,578
Management and general	431,201	-	431,201	336,114	-	336,114
Fundraising	390,237	-	390,237	339,514	-	339,514
TOTAL EXPENSES	4,724,875	-	4,724,875	4,138,206	-	4,138,206
CHANGE IN NET ASSETS	(294,161)	(287,892)	(582,053)	1,017,198	(1,065,467)	(48,269)
NET ASSETS AT BEGINNING OF YEAR	11,726,084	2,048,625	13,774,709	10,708,886	3,114,092	13,822,978
NET ASSETS AT END OF YEAR	\$ 11,431,923	\$ 1,760,733	\$ 13,192,656	\$ 11,726,084	\$ 2,048,625	\$ 13,774,709

The accompanying notes are an integral part of these statements.

BOYS & GIRLS CLUB FOX VALLEY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and wages	\$ 2,096,825	\$ 299,676	\$ 222,633	\$ 2,619,134
Payroll taxes	192,136	27,460	20,400	239,996
Employee benefits	130,145	18,600	13,818	162,563
Staff development	9,532	1,805	914	12,251
Special assistance	168,911	-	212	169,123
Scholarships	9,000	-	-	9,000
Recognition	7,727	495	329	8,551
Occupancy	197,671	2,248	2,430	202,349
Repairs and maintenance	59,322	781	1,160	61,263
Depreciation	389,441	5,406	5,613	400,460
Telephone	14,942	-	165	15,107
Professional fees	82,336	53,250	23,010	158,596
Insurance	38,032	-	209	38,241
Advertising	8,398	-	6,533	14,931
Travel	94,386	3,454	937	98,777
Supplies	74,163	496	4,857	79,516
Technology	36,149	11,151	32,217	79,517
Printing and publications	15,556	444	36,209	52,209
Postage	1,724	637	2,954	5,315
Dues and subscriptions	31,456	74	587	32,117
Bad debt	-	3,642	-	3,642
Donor expense	-	-	314	314
In-kind	190,478	-	14,736	205,214
Miscellaneous	55,107	1,582	-	56,689
TOTAL EXPENSES	\$ 3,903,437	\$ 431,201	\$ 390,237	\$ 4,724,875

The accompanying notes are an integral part of these statements.

BOYS & GIRLS CLUB FOX VALLEY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and wages	\$ 1,783,989	\$ 191,328	\$ 207,056	\$ 2,182,373
Payroll taxes	165,687	16,736	19,943	202,366
Employee benefits	107,226	24,042	23,619	154,887
Staff development	12,237	974	590	13,801
Special assistance	197,220	-	-	197,220
Scholarships	5,000	-	-	5,000
Recognition	7,755	631	2,907	11,293
Occupancy	196,695	1,729	2,217	200,641
Repairs and maintenance	53,079	561	1,691	55,331
Depreciation	382,672	5,312	5,509	393,493
Telephone	11,906	-	155	12,061
Professional fees	49,839	62,813	1,790	114,442
Insurance	34,658	-	190	34,848
Advertising	7,019	-	5,461	12,480
Travel	96,133	3,859	2,734	102,726
Supplies	65,608	11,975	-	77,583
Technology	30,338	9,359	-	39,697
Printing and publications	16,586	524	30,781	47,891
Postage	3,041	538	2,949	6,528
Dues and subscriptions	19,340	120	1,412	20,872
Bad debt	-	-	-	-
Donor expense	-	-	-	-
In-kind	199,287	4,508	12,654	216,449
Miscellaneous	17,263	1,105	17,856	36,224
TOTAL EXPENSES	\$ 3,462,578	\$ 336,114	\$ 339,514	\$ 4,138,206

The accompanying notes are an integral part of these statements.

BOYS & GIRLS CLUB FOX VALLEY, INC.
STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (582,053)	\$ (48,269)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	400,460	393,493
Change in beneficial interest in Community Foundation	9,154	(21,501)
Allowance for uncollectible promises to give	(32,812)	(130,633)
Discount on unconditional promises to give	(11,115)	(36,507)
(Increase) decrease in life insurance cash surrender value	(13,665)	(12,711)
Changes in assets and liabilities:		
(Increase) decrease in current assets		
Accounts receivable	(27,915)	(19,865)
Unconditional promises to give, net	797,973	806,010
Grants receivable	(132,521)	2,035
Prepaid expenses	(14,556)	(12,010)
501c Trust unemployment	2,759	-
Increase (decrease) in current liabilities		
Accounts payable	(12,339)	16,813
Deferred revenue	12,773	-
Accrued liabilities	25,886	11,043
Refundable advances	1,370	(26,430)
Deferred compensation	13,666	12,711
Other current liabilities	9,050	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	446,115	934,179
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(110,678)	(113,609)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(110,678)	(113,609)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(298,829)	(1,070,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(298,829)	(1,070,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,608	(249,430)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	718,387	967,817
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 754,995	\$ 718,387

The accompanying notes are an integral part of these statements.

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization - Boys & Girls Club Fox Valley, Inc. (the “Organization”) is a not-for-profit corporation organized in the State of Wisconsin to promote the health, social, educational, vocational, character and leadership development of the boys and girls in the Fox Valley area.

The Organization operated from its sites in Appleton and Menasha, WI and from seven school sites in Appleton and Little Chute, WI.

The Organization is supported primarily through donor contributions, grants, and the United Way.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables and other liabilities.

Basis of Presentation - The accompanying financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

The Organization is required to report information regarding its net assets and its activities based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounting Pronouncements Adopted - On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The Organization opted to not disclose liquidity and availability information for 2017 as permitted under the ASU in the year of adoption.

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Recent Accounting Pronouncements - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for annual periods beginning after December 15, 2018. Early adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Organization is currently evaluating the impact this guidance will have on the financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)* effective for annual reporting periods beginning after December 15, 2019. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the new ASU will require both types of leases to be recognized on the balance sheet. The ASU will also require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements providing additional information about the amounts recorded in the financial statements. The Organization is currently evaluating the impact this guidance will have on the financial statements.

Cash and Cash Equivalents - The Organization's cash consists of cash on deposit with banks. For purposes of the statements of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. However, the Organization does not consider cash, money market accounts, or certificates of deposits included as investments to be cash equivalents for the statement of cash flows. The Organization does not have any cash equivalents as of December 31, 2018 and 2017.

Accounts and Grants Receivable - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge of the valuation allowance and a credit to accounts receivable. Management believes all receivable are collectible; accordingly, no allowance has been recorded.

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Promises to Give - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a nominal interest rate applicable to the year in which the promise is received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management provides for uncollectible amounts through a provision for uncollectible pledge expense from outstanding balances and an adjustment to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment - All acquisitions of property and equipment in excess of \$5,000 with useful lives greater than one year are capitalized. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method based on the estimated useful lives:

<u>Asset</u>	<u>Life</u>
Furniture, fixtures and equipment	5 - 8 years
Building improvements	5 - 40 years
Buildings	40 years

Valuation of Long-lived Assets - U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No assets are considered to be impaired at December 31, 2018 and 2017.

Deferred Revenue - Payments received during the year for future services are deferred and recognized as income when earned.

Cash Surrender Value of Life Insurance – The Organization is the policy holder of a life insurance policy. The death value benefit of the policy is \$420,000. Cash value of life insurance is reported on the statement of financial position net of policy loans. There were no loans outstanding as of December 31, 2018 and 2017. Adjustments for cash value are reported in the statement of activities as other revenue and premiums paid are reported in the statement of functional expenses.

Revenue Recognition - The Organization's revenue sources include membership fees, contributions, special events, and investment return. Revenue is recognized when earned and contributions are recognized when received or unconditionally pledged. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Revenue Recognition, continued - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In-Kind Contributions - The Organization records the value of donated goods when there is an objective basis to measure the value. Donated fundraising items are valued using the final amount received from the sale or raffle of the item. Donated goods are reflected as in-kind contribution revenue and donated fundraising items are included in special event revenue in the accompanying statements of activities.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills that are performed by people with those skills and would otherwise be purchased by the Organization. The Organization received donated professional services of \$49,582 and \$40,508 for the years ended December 31, 2018 and 2017, respectively. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution.

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these financial statements because the criteria for recognition have not been satisfied.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Those expenses include salaries, benefits and payroll taxes, which are allocated based on estimates of time as determined by reviewing employee job duties. Other expenses are allocated based on estimates determined by management.

Advertising Costs - Advertising costs are expensed as incurred and totaled \$14,931 and \$12,480 for the years ended December 31, 2018 and 2017, respectively.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Tax Status - The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from State taxation.

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Accounting for Uncertainty in Income Taxes - U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits in progress for any tax period. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

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

Subsequent Events - The Organization evaluated subsequent events through June 19, 2019, the date which the financial statements were available to be issued.

NOTE 2 - Concentration of Cash and Credit Risk

The Organization may have deposits with a financial institution at times during the year that exceed the Federal Deposit Insurance Corporation (FDIC) insurance threshold of \$250,000. The amount of the accounting loss that the Organization would have incurred had the financial institution not been able to return monies in excess of \$250,000 amounted to \$254,119 and \$249,795 as of December 31, 2018 and 2017, respectively. The Organization does not require collateral or other security to support deposits subject to this credit risk.

NOTE 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

Cash and cash equivalents	\$ 754,995
Accounts receivable	367,048
Unconditional promises to give receivable in less than one year	696,952
Grants receivable	210,883
Beneficial interest in Community Foundation	<u>104,295</u>
Total financial assets available within one year	2,134,173

Less:

Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	<u>1,258,730</u>

Total Financial Assets Available to Management For General Expenditure Within One Year	<u>\$ 875,443</u>
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BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 3 - Liquidity and Availability - Continued

Liquidity Management

The Organization regularly monitors liquidity required to meet its operating needs. Currently it utilizes cash contributions without donor restrictions, program revenue, and grants along with donor restricted contributions from capital campaign monies to meet annual operational expenses. The annual budget identifies these sources and the CEO along with the Finance Director identifies when and how much is transferred from donor restricted monies. Currently a line of credit is not held.

NOTE 4 - Unconditional Promises to Give

The Organization held a capital campaign to raise funds for the Boys & Girls Club of Menasha facility and operations. Promises to give were restricted to payment of the costs of facility and continued operations. The Organization also does an annual campaign for operations, which are not restricted. The aggregate collections of promises to give are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 696,952	\$ 1,030,425
Receivables in one to five years	47,000	511,500
Total unconditional promises to give	743,952	1,541,925
Less: Allowance for unconditional promises to give	43,450	76,262
Less: Discount to net present value	(965)	12,080
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$ 699,537</u>	<u>\$ 1,453,583</u>

A discount rate of 4.00% was used at December 31, 2018 and 2017, respectively on promises to give receivable in more than one year.

The provision for the allowance for uncollectible promises to give relating to the unconditional promises to give for the years ended December 31, 2018 and 2017 was \$43,450 and \$76,262, respectively.

NOTE 5 - Property and Equipment

A summary of property and equipment is as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,362,621	\$ 1,268,383
Buildings and improvements	12,078,177	12,069,282
Furniture and fixtures	531,278	523,731
Leasehold improvements	52,448	52,448
	14,024,524	13,913,844
Less: Accumulated depreciation	2,714,644	2,314,182
NET PROPERTY AND EQUIPMENT	<u>\$11,309,880</u>	<u>\$11,599,662</u>

Depreciation expense amounted to \$389,441 and \$393,493 for years ended December 31, 2018 and 2017, respectively.

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 6 - Beneficial Interest in Community Foundation

The Organization holds a beneficial interest in assets held by the Community Foundation for the Fox Valley Region (Foundation). The balance of the funds was \$104,295 and \$113,449 as of December 31, 2018 and 2017, respectively.

The Foundation is to distribute the funds to the Organization as the Organization requests the funds. The Foundation has variance power over the funds. The Foundation has power to modify any restriction or condition on the distribution of funds, if, in their sole judgment, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or become inconsistent with the charitable needs of the Organization, or the Foundation. The beneficial interest is recognized in the accompanying statements of financial position as is valued at the fair market value.

NOTE 7 - Unemployment Reserve

The Organization is self-funded for state unemployment compensation purposes. In accordance with state regulations, cash on deposit totaling \$45,826 and \$48,585 at December 31, 2018 and 2017, respectively, is used as collateral in lieu of paying state unemployment taxes.

NOTE 8 - Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with the provision of U.S. GAAP, which provides a framework for measuring fair value under generally accepted accounting principles.

U.S. GAAP defines fair value as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting organization has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

The asset's fair value measurement within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Beneficial interest in Community Foundation: Investments held with a community foundation are valued at fair value based on the closing price for securities listed on a securities exchange, the closing bid or asking price for over-the-counter securities not listed on a securities exchange, or at cost or obtained from an independent pricing service for securities not listed or traded on any exchange or on the over-the-counter market. The custodian of the investments in the community foundation also has the ability to determine the fair value of securities not listed or traded on any exchange or on the over-the-counter market based on available information.

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 8 - Fair Value Measurements - Continued

The method described above may produce a fair value calculation that may be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value on a recurring basis as of December 31, 2018 and 2017.

	DECEMBER 31, 2018	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Beneficial interest in Community Foundation	\$ 104,295	\$ -	\$ -	\$ 104,295
TOTALS	\$ 104,295	\$ -	\$ -	\$ 104,295

	DECEMBER 31, 2017	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Beneficial interest in Community Foundation	\$ 113,449	\$ -	\$ -	\$ 113,449
TOTALS	\$ 113,449	\$ -	\$ -	\$ 113,449

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Beneficial interest in Community Foundation

	2018	2017
Balance, beginning of year	\$ 113,449	\$ 91,946
Contributions	-	6,350
Investment income, net of fees	557	508
Realized gains (losses)	3,400	2,255
Unrealized gains (losses)	(13,111)	12,387
Balance, end of year	<u>\$ 104,295</u>	<u>\$ 113,449</u>

NOTE 9 - Long-Term Debt

The Organization renewed a note payable at Community First Credit Union on January 9, 2017 due in one payment on January 9, 2019. The interest rate on the note was 0%. The balance on the note payable was \$0 and \$298,829 as of December 31, 2018 and 2017, respectively. The note was paid off during 2018. Interest of \$11,328 and \$41,969 is reported as an in-kind contribution as of December 31, 2018 and 2017, based on an interest rate of 5%.

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 10 - Net Assets

Included in net assets without donor restrictions are amounts designated by the board for a quasi-endowment of \$24,138 and \$33,292 as of December 31, 2018 and 2017, respectively.

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
STAR Program	\$ 210,684	\$ 189,036
Literacy Tutoring Program	72,852	62,576
After School Programs	-	18,600
Educational Assistance Fund	16,040	13,794
Megabites Program	15,201	26,199
Career Launch	-	10,000
Boys & Girls Club - Little Chute	50,000	89,680
Boys & Girls Club - Menasha	-	30,000
Campaign for Menasha youth	756,699	1,101,784
Boys & Girls Club - Manitowoc	4,057	1,987
Operations - Appleton	-	75,000
Summer Programs	35,000	-
Project Learn	35,000	-
Smart Girls	25,000	-
Other	4,540	1,449
	<u>1,225,073</u>	<u>1,620,105</u>
Subject to the passage of time:		
"Be Great" Campaign	1,800	34,954
Operating pledges	128,202	-
United Way	325,001	313,410
	<u>455,003</u>	<u>348,364</u>
Endowments		
Amount required to be held in perpetuity	<u>80,657</u>	<u>80,157</u>
TOTAL NET ASETS WITH DONOR RESTRICTIONS	<u>\$ 1,760,733</u>	<u>\$ 2,048,625</u>

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 10 - Net Assets - Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Expiration of time restrictions	\$ 346,564	\$ 504,532
Satisfaction of purpose restrictions		
STAR Program	286,009	20,934
Literacy Tutoring Program	81,478	13,014
After School Programs	18,600	8,499
Educational Assistance Fund	12,753	11,206
Megabites Program	25,999	13,801
Career Launch	10,000	6,000
Boys & Girls Club - Little Chute	89,680	91,332
Boys & Girls Club - Menasha	30,000	-
Campaign for Menasha youth	345,086	1,345,173
Boys & Girls Club – Manitowoc	662	-
Operations – Appleton	75,000	-
Project Learn	7,500	-
Smart Girls	25,000	35,130
Healthy Habits Food Program	-	35,000
STEM	-	16,667
Center for Grieving Children	-	49,596
Summer of Service	-	14,082
Other	6,251	51,677
TOTAL RESTRICTIONS RELEASED	<u>\$ 1,360,582</u>	<u>\$ 2,216,643</u>

NOTE 11 - Endowment Funds

The Boys & Girls Club Fox Valley, Inc.'s endowment fund consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of or absence of donor-imposed restrictions.

Interpretation of the Law - The Board of Directors of the Organization has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 11 - Endowment Funds - Continued

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Investing Policy – The Board of Directors has established an investment policy to ensure compliance with investment practices that preserve principal, ensure liquidity sufficient to meet the Organization’s needs and maintain the purchasing power of the investment assets. Risk is present in all types of securities and investment styles, and the Board of Directors recognizes some risk is necessary to produce long-term investment results. However, reasonable effort is made to control risk.

Spending Policy – Distributions from endowment funds held at the Community Foundation shall be made in accordance with the Community Foundation’s distribution policy. The Organization does not have a formal spending policy for the endowment fund.

Endowment Net Asset Composition by Type of Fund as of December 31, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Without donor restrictions endowment funds:	\$ 24,138	\$ -	\$ 24,138
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	-	80,657	80,657
Accumulated investment gains	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 24,138</u>	<u>\$ 80,657</u>	<u>\$ 104,795</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2017:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Without donor restrictions endowment funds:	\$ 33,292	\$ -	\$ 33,292
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	-	80,157	80,157
Accumulated investment gains	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 33,292</u>	<u>\$ 80,157</u>	<u>\$ 113,449</u>

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 11 - Endowment Funds - Continued

Funds with Deficiencies - From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration (underwater endowments). In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The deficiencies may result from unfavorable market fluctuations that have occurred. The Organization did not have any such deficiency as of December 31, 2018 and 2017.

Changes in Endowment Net Assets for the Year Ended December 31, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 33,292	\$ 80,157	\$ 113,449
Investment return, net	(9,154)	-	(9,154)
Contributions	-	500	500
Appropriation of endowment assets pursuant To spending-rate policy	-	-	-
Endowment net assets, end of year	<u>\$ 24,138</u>	<u>\$ 80,657</u>	<u>\$ 104,795</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2017:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 12,466	\$ 79,482	\$ 91,948
Investment return, net	15,151	-	15,151
Contributions	5,675	675	6,350
Appropriation of endowment assets pursuant To spending-rate policy	-	-	-
Endowment net assets, end of year	<u>\$ 33,292</u>	<u>\$ 80,157</u>	<u>\$ 113,449</u>

NOTE 12 - Defined Contribution Pension Plan

The Organization sponsors a defined contribution pension plan covering substantially all employees that have completed one year of service, 1,000 hours of service in either their first year or subsequent years and are at least 18 years of age. The plan allows employees to defer a portion of their salary. The Organization may make a matching contribution up to 4% of employee wages. During 2018 and 2017, employer contributions were \$36,626 and \$37,061, respectively.

NOTE 13 - In-Kind Contributions

The value of donated goods and services included as in-kind contributions in the financial statements and the corresponding expenses or assets are as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Professional fees	\$ 49,582	\$ 40,507
Supplies	16,485	29,537
Equipment	24,888	16,256
Program assistance	102,630	87,904
Interest expense	11,328	41,969
Other	301	275
TOTAL IN-KIND CONTRIBUTIONS	<u>\$ 205,214</u>	<u>\$ 216,448</u>

BOYS & GIRLS CLUB FOX VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018 AND 2017

NOTE 14 - Conditional Promises to Give

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Conditional promises to give at December 31, 2018 and 2017 consist of the following and are not included on the statement of activities:

	2018	2017
Contribution subject to interim reports, evaluations, site visits, and other information requested by the donor	\$ 632,500	\$ -
TOTAL CONDITIONAL PROMISES TO GIVE	<u>\$ 632,500</u>	<u>\$ -</u>

NOTE 15 - Risks and Uncertainties

The Organization's investments are exposed to various risks, such as interest rate, and market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statements of financial position and the statements of activities.

NOTE 16 - Related Party Transactions

The Organization conducts business with several companies that are affiliated with or owned by Board members, directly or indirectly. Items purchased are priced at competitive rates.

All board members have the role of ensuring club resources and do this with personal or corporate contributions. At December 31, 2018 and 2017, \$450,020 and \$440,312 of contributions were received from board members or their connections.