



**FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**BOYS AND GIRLS CLUBS OF DORCHESTER, INC.**

Contents  
June 30, 2017 and 2016

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## Independent Auditor's Report

To the Board of Directors of  
Boys and Girls Clubs of Dorchester, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Boys and Girls Clubs of Dorchester, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

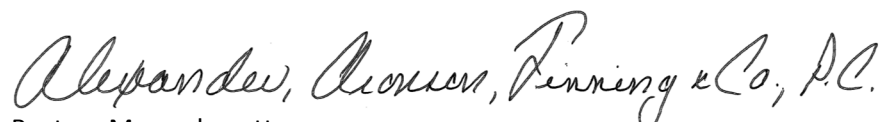
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 and Girls Clubs of Dorchester, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

  
Boston, Massachusetts  
November 2, 2017

**BOYS AND GIRLS CLUBS OF DORCHESTER, INC.**

 Statements of Financial Position  
 June 30, 2017 and 2016

Assets	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Current Assets:</b>								
Cash	\$ -	\$ 190,943	\$ -	\$ 190,943	\$ -	\$ 115,337	\$ -	\$ 115,337
Grants, contracts and other receivables	433,384	90,891	-	524,275	273,191	-	-	273,191
Prepaid expenses and other	13,297	-	-	13,297	17,404	-	-	17,404
Total current assets	<u>446,681</u>	<u>281,834</u>	<u>-</u>	<u>728,515</u>	<u>290,595</u>	<u>115,337</u>	<u>-</u>	<u>405,932</u>
Investments	349,057	197,571	1,046,626	1,593,254	268,754	132,302	1,046,626	1,447,682
Cash Surrender Value of Life Insurance Policies	92,105	-	-	92,105	87,948	-	-	87,948
Property and Equipment, net	<u>4,208,937</u>	<u>-</u>	<u>-</u>	<u>4,208,937</u>	<u>4,285,293</u>	<u>-</u>	<u>-</u>	<u>4,285,293</u>
Total assets	<u>\$ 5,096,780</u>	<u>\$ 479,405</u>	<u>\$ 1,046,626</u>	<u>\$ 6,622,811</u>	<u>\$ 4,932,590</u>	<u>\$ 247,639</u>	<u>\$ 1,046,626</u>	<u>\$ 6,226,855</u>
<b>Liabilities and Net Assets</b>								
<b>Current Liabilities:</b>								
Line of credit	\$ 130,000	\$ -	\$ -	\$ 130,000	\$ -	\$ -	\$ -	\$ -
Current portion of notes payable	35,116	-	-	35,116	33,389	-	-	33,389
Accounts payable and accrued expenses	234,142	-	-	234,142	231,771	-	-	231,771
Deferred revenue	69,318	-	-	69,318	73,204	-	-	73,204
Total current liabilities	<u>468,576</u>	<u>-</u>	<u>-</u>	<u>468,576</u>	<u>338,364</u>	<u>-</u>	<u>-</u>	<u>338,364</u>
Notes Payable, net of current portion	<u>94,442</u>	<u>-</u>	<u>-</u>	<u>94,442</u>	<u>129,416</u>	<u>-</u>	<u>-</u>	<u>129,416</u>
Total liabilities	<u>563,018</u>	<u>-</u>	<u>-</u>	<u>563,018</u>	<u>467,780</u>	<u>-</u>	<u>-</u>	<u>467,780</u>
<b>Net Assets:</b>								
<b>Unrestricted:</b>								
Operating	454,383	-	-	454,383	342,322	-	-	342,322
Property and equipment	4,079,379	-	-	4,079,379	4,122,488	-	-	4,122,488
Total unrestricted	<u>4,533,762</u>	<u>-</u>	<u>-</u>	<u>4,533,762</u>	<u>4,464,810</u>	<u>-</u>	<u>-</u>	<u>4,464,810</u>
Temporarily restricted	-	479,405	-	479,405	-	247,639	-	247,639
Permanently restricted	-	-	1,046,626	1,046,626	-	-	1,046,626	1,046,626
Total net assets	<u>4,533,762</u>	<u>479,405</u>	<u>1,046,626</u>	<u>6,059,793</u>	<u>4,464,810</u>	<u>247,639</u>	<u>1,046,626</u>	<u>5,759,075</u>
Total liabilities and net assets	<u>\$ 5,096,780</u>	<u>\$ 479,405</u>	<u>\$ 1,046,626</u>	<u>\$ 6,622,811</u>	<u>\$ 4,932,590</u>	<u>\$ 247,639</u>	<u>\$ 1,046,626</u>	<u>\$ 6,226,855</u>

The accompanying notes are an integral part of these statements.

**BOYS AND GIRLS CLUBS OF DORCHESTER, INC.**

 Statements of Activities and Changes in Net Assets  
 For the Years Ended June 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Revenue and Support:</b>								
Grants and contributions	\$ 1,191,461	\$ 236,954	\$ -	\$ 1,428,415	\$ 1,107,604	\$ 95,156	\$ -	\$ 1,202,760
Contracts	1,165,922	-	-	1,165,922	1,079,527	-	-	1,079,527
Program service fees	746,505	-	-	746,505	675,214	-	-	675,214
Special events and contributions, net	560,789	-	-	560,789	522,052	-	-	522,052
Rodman Ride contributions	504,933	-	-	504,933	457,324	-	-	457,324
Donated goods and services	191,858	-	-	191,858	245,353	-	-	245,353
United Way contributions	131,198	-	-	131,198	137,002	-	-	137,002
Investment appreciation - endowment allocated to operations	62,017	-	-	62,017	61,168	-	-	61,168
Investment income	30,029	-	-	30,029	29,404	-	-	29,404
Other	1,652	-	-	1,652	30,973	-	-	30,973
Net assets released from program restrictions	95,457	(95,457)	-	-	100,754	(100,754)	-	-
Total operating revenue and support	<u>4,681,821</u>	<u>141,497</u>	<u>-</u>	<u>4,823,318</u>	<u>4,446,375</u>	<u>(5,598)</u>	<u>-</u>	<u>4,440,777</u>
<b>Operating Expenses:</b>								
Program services:								
Licensed Childcare	1,317,621	-	-	1,317,621	1,350,198	-	-	1,350,198
Recreation and Education	2,357,334	-	-	2,357,334	2,322,750	-	-	2,322,750
Total program services	<u>3,674,955</u>	<u>-</u>	<u>-</u>	<u>3,674,955</u>	<u>3,672,948</u>	<u>-</u>	<u>-</u>	<u>3,672,948</u>
General and administrative	589,153	-	-	589,153	627,637	-	-	627,637
Fundraising	515,245	-	-	515,245	495,139	-	-	495,139
Total operating expenses	<u>4,779,353</u>	<u>-</u>	<u>-</u>	<u>4,779,353</u>	<u>4,795,724</u>	<u>-</u>	<u>-</u>	<u>4,795,724</u>
Changes in net assets from operations	<u>(97,532)</u>	<u>141,497</u>	<u>-</u>	<u>43,965</u>	<u>(349,349)</u>	<u>(5,598)</u>	<u>-</u>	<u>(354,947)</u>
<b>Non-Operating Revenues (Expenses):</b>								
Net gains (losses) on investments	57,150	127,286	-	184,436	7,281	(19,839)	-	(12,558)
Grants and contributions - capital	74,327	25,000	-	99,327	35,000	-	-	35,000
Donated property and equipment	30,850	-	-	30,850	138,100	-	-	138,100
Investment return on cash value of life insurance policies	4,157	-	-	4,157	4,027	-	-	4,027
Investment appreciation - endowment allocated to operations	-	(62,017)	-	(62,017)	-	(61,168)	-	(61,168)
Net assets released from capital restrictions	-	-	-	-	9,200	(9,200)	-	-
Total non-operating revenues (expenses)	<u>166,484</u>	<u>90,269</u>	<u>-</u>	<u>256,753</u>	<u>193,608</u>	<u>(90,207)</u>	<u>-</u>	<u>103,401</u>
Changes in net assets	<u>68,952</u>	<u>231,766</u>	<u>-</u>	<u>300,718</u>	<u>(155,741)</u>	<u>(95,805)</u>	<u>-</u>	<u>(251,546)</u>
<b>Net Assets:</b>								
Beginning of year	<u>4,464,810</u>	<u>247,639</u>	<u>1,046,626</u>	<u>5,759,075</u>	<u>4,620,551</u>	<u>343,444</u>	<u>1,046,626</u>	<u>6,010,621</u>
End of year	<u>\$ 4,533,762</u>	<u>\$ 479,405</u>	<u>\$ 1,046,626</u>	<u>\$ 6,059,793</u>	<u>\$ 4,464,810</u>	<u>\$ 247,639</u>	<u>\$ 1,046,626</u>	<u>\$ 5,759,075</u>

The accompanying notes are an integral part of these statements.

**BOYS AND GIRLS CLUBS OF DORCHESTER, INC.**

Statements of Cash Flows  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 300,718	\$ (251,546)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	214,602	213,341
Net (gains) losses on investments	(184,436)	12,558
Unrealized gains on cash value of life insurance policies	(4,157)	(4,027)
Grants and contributions - capital	(99,327)	(35,000)
Donated property and equipment	(30,850)	(138,100)
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(251,084)	117,656
Prepaid expenses and other	4,107	2,497
Accounts payable and accrued expenses	(5,170)	(145,534)
Deferred revenue	(3,886)	(13,911)
Net cash used in operating activities	<u>(59,483)</u>	<u>(242,066)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from the sale of investments	318,724	41,550
Acquisition of property and equipment	(99,855)	(63,960)
Purchase of investments	(279,860)	-
Net cash used in investing activities	<u>(60,991)</u>	<u>(22,410)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from borrowings on line of credit	160,000	-
Grants and contributions - capital	99,327	35,000
Repayment of line of credit	(30,000)	-
Principal payments on notes payable	(33,247)	(31,559)
Net cash provided by financing activities	<u>196,080</u>	<u>3,441</u>
<b>Net Change in Cash</b>	<b>75,606</b>	<b>(261,035)</b>
<b>Cash:</b>		
Beginning of year	<u>115,337</u>	<u>376,372</u>
End of year	<u>\$ 190,943</u>	<u>\$ 115,337</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 9,530</u>	<u>\$ 11,374</u>
<b>Supplemental Disclosure of Non-Cash Transactions:</b>		
Unrealized gain (loss) on investments	<u>\$ 19,127</u>	<u>\$ (12,558)</u>
Property and equipment acquisitions financed via accounts payable and accrued expenses	<u>\$ 14,544</u>	<u>\$ 7,003</u>

The accompanying notes are an integral part of these statements.

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**BOYS AND GIRLS CLUBS OF DORCHESTER, INC.**

Statement of Functional Expenses

For the Year Ended June 30, 2017

(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	2017					2016	
	Program Services			General and Admins- trative	Fundraising	Total	Total
	Licensed Childcare	Recreation and Education	Total Program Services				
<b>Salaries and Related:</b>							
Salaries	\$ 890,314	\$ 1,350,778	\$ 2,241,092	\$ 350,014	\$ 376,520	\$ 2,967,626	\$ 2,937,565
Employee benefits	77,464	105,510	182,974	76,637	40,806	300,417	287,715
Payroll taxes	68,862	91,930	160,792	19,894	28,665	209,351	208,044
Total salaries and related	<u>1,036,640</u>	<u>1,548,218</u>	<u>2,584,858</u>	<u>446,545</u>	<u>445,991</u>	<u>3,477,394</u>	<u>3,433,324</u>
<b>Occupancy:</b>							
Depreciation	51,135	85,639	136,774	16,092	18,095	170,961	168,956
Utilities	33,658	116,491	150,149	5,258	4,979	160,386	143,156
Repairs and maintenance	32,975	79,364	112,339	6,127	4,903	123,369	122,626
Insurance	16,110	45,530	61,640	4,298	4,203	70,141	70,098
Interest	1,638	3,190	4,828	4,219	483	9,530	11,374
Total occupancy	<u>135,516</u>	<u>330,214</u>	<u>465,730</u>	<u>35,994</u>	<u>32,663</u>	<u>534,387</u>	<u>516,210</u>
<b>Other:</b>							
Program activities and supplies	95,674	367,421	463,095	-	-	463,095	441,029
Consulting	26,065	17,416	43,481	14,609	5,412	63,502	89,937
Depreciation	6,277	31,138	37,415	4,591	1,635	43,641	44,385
Professional fees	-	-	-	36,796	-	36,796	40,918
Miscellaneous	1,724	5,578	7,302	24,733	486	32,521	43,480
Staff training and travel	4,835	12,776	17,611	2,677	3,684	23,972	46,930
Equipment rental	2,247	9,903	12,150	1,129	8,070	21,349	19,743
Dues and subscriptions	1,150	17,611	18,761	125	615	19,501	18,450
Telephone	5,624	10,479	16,103	2,593	782	19,478	19,374
Advertising	707	-	707	2,394	10,402	13,503	20,049
Postage and printing	1,162	2,419	3,581	986	4,748	9,315	17,192
Office supplies	-	1,460	1,460	4,168	757	6,385	10,180
Insurance	-	-	-	6,156	-	6,156	6,055
Investment management fees	-	-	-	5,657	-	5,657	12,736
Scholarships	-	2,701	2,701	-	-	2,701	15,732
Total other	<u>145,465</u>	<u>478,902</u>	<u>624,367</u>	<u>106,614</u>	<u>36,591</u>	<u>767,572</u>	<u>846,190</u>
Total expenses	<u>\$ 1,317,621</u>	<u>\$ 2,357,334</u>	<u>\$ 3,674,955</u>	<u>\$ 589,153</u>	<u>\$ 515,245</u>	<u>\$ 4,779,353</u>	<u>\$ 4,795,724</u>

The accompanying notes are an integral part of these statements.

**BOYS AND GIRLS CLUBS OF DORCHESTER, INC.**

Statement of Functional Expenses  
For the Year Ended June 30, 2016

	Program Services			General and Adminis- trative	Fundraising	Total
	Licensed Childcare	Recreation and Education	Total Program Services			
<b>Salaries and Related:</b>						
Salaries	\$ 918,569	\$ 1,329,612	\$ 2,248,181	\$ 345,464	\$ 343,920	\$ 2,937,565
Employee benefits	76,329	108,443	184,772	68,920	34,023	287,715
Payroll taxes	72,059	89,488	161,547	20,086	26,411	208,044
Total salaries and related	<u>1,066,957</u>	<u>1,527,543</u>	<u>2,594,500</u>	<u>434,470</u>	<u>404,354</u>	<u>3,433,324</u>
<b>Occupancy:</b>						
Depreciation	50,901	84,073	134,974	15,993	17,989	168,956
Utilities	31,920	100,775	132,695	4,924	5,537	143,156
Repairs and maintenance	28,664	81,048	109,712	6,000	6,914	122,626
Insurance	16,123	45,563	61,686	4,206	4,206	70,098
Interest	2,415	5,033	7,448	3,029	897	11,374
Total occupancy	<u>130,023</u>	<u>316,492</u>	<u>446,515</u>	<u>34,152</u>	<u>35,543</u>	<u>516,210</u>
<b>Other:</b>						
Program activities and supplies	101,929	339,100	441,029	-	-	441,029
Consulting	14,000	15,655	29,655	47,757	12,525	89,937
Depreciation	7,988	30,302	38,290	4,243	1,852	44,385
Professional fees	5,125	-	5,125	35,793	-	40,918
Miscellaneous	5,690	13,865	19,555	23,632	293	43,480
Staff training and travel	10,147	22,596	32,743	7,856	6,331	46,930
Equipment rental	1,810	9,128	10,938	626	8,179	19,743
Dues and subscriptions	650	17,115	17,765	355	330	18,450
Telephone	5,598	10,100	15,698	2,845	831	19,374
Advertising	208	-	208	9,677	10,164	20,049
Postage and printing	73	4,200	4,273	1,065	11,854	17,192
Office supplies	-	922	922	6,375	2,883	10,180
Insurance	-	-	-	6,055	-	6,055
Investment management fees	-	-	-	12,736	-	12,736
Scholarships	-	15,732	15,732	-	-	15,732
Total other	<u>153,218</u>	<u>478,715</u>	<u>631,933</u>	<u>159,015</u>	<u>55,242</u>	<u>846,190</u>
Total expenses	<u>\$ 1,350,198</u>	<u>\$ 2,322,750</u>	<u>\$ 3,672,948</u>	<u>\$ 627,637</u>	<u>\$ 495,139</u>	<u>\$ 4,795,724</u>

The accompanying notes are an integral part of these statements.



## **BOYS AND GIRLS CLUBS OF DORCHESTER, INC.**

Notes to Financial Statements  
June 30, 2017 and 2016

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### **1. OPERATIONS AND NONPROFIT STATUS**

#### **Operations**

Boys and Girls Clubs of Dorchester, Inc. (the Club) is a nonprofit organization dedicated to inspiring and enabling all young people, from diverse circumstances, to realize their full potential by providing opportunities for personal growth to become contributing, caring and responsible members of the community. The Club provides education and recreation related activities for children of all ages of the Dorchester, Massachusetts and surrounding communities.

#### **Nonprofit Status**

The Club is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Club is also exempt from state income taxes. Contributions made to the Club are deductible by donors within the requirements of the IRC.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The Club prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### **Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Fair Value Measurements**

The Club follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Club would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Club uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Club. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

## BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Fair Value Measurements (Continued)**

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

#### **Investments**

The Club records its investments at fair value using Level 1 inputs as described in Note 3.

#### **Cash Surrender Value of Life Insurance Policies**

The Club records its cash surrender value of life insurance policies using Level 2 inputs which includes valuations provided by insurance companies (see Note 4).

#### **All Other Assets and Liabilities**

The carrying value of all other assets and liabilities, including notes payable, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

#### **Income Taxes**

The Club accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Club has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2017 and 2016. The Club's informational returns are subject to examination by Federal and state jurisdictions.

#### **Grants, Contracts and Other Receivables and Allowance for Doubtful Accounts**

Grants, contracts and other receivables are recorded at the invoiced or pledged amount and do not bear interest. An allowance for doubtful accounts was not deemed necessary as of June 30, 2017 and 2016, based on management's best estimate of the collectability of grants, contracts and other receivables. The decision not to record an allowance is based on historical collections and write-off experience, as well as the amounts that were collected subsequent to each fiscal year-end.

## BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at estimated fair value at the date of gift, if donated. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Building and improvements	10 - 40 years
Furniture, vehicles and equipment	3 - 10 years
Land improvements	15 years

Land is not depreciated.

During fiscal years 2017 and 2016, the Club received donated property and equipment with a fair value of \$30,850 and \$138,100, respectively. Donated property is recognized as donated property and equipment and is included in property and equipment, net in the accompanying statements of activities and changes in net assets and financial position, respectively.

The Club accounts for the carrying value of its property and equipment in accordance with ASC Topic, *Impairment and Disposal of Long-Lived Assets*. The Club has not recognized any reduction in the carrying value of its property and equipment when considering this standard during fiscal years 2017 or 2016.

#### Deferred Revenue

Deferred revenue consists of ticket sales, sponsorships and other amounts received for fundraising and program events that will be held in the following fiscal year.

#### Revenue Recognition

- Unrestricted grants and contributions from individuals, foundations and corporations, including Rodman Ride and United Way contributions, are recognized as revenue when received or unconditionally pledged.
- Grants and contributions designated by the donor for a specific purpose or time period are recognized as temporarily restricted revenue and support and net assets when received or unconditionally pledged. Transfers are made to unrestricted revenue and support and net assets as services are provided and costs are incurred, or pro-rata over the period covered by the contribution or grant as time restrictions lapse. Donor restricted grants and contributions received and satisfied in the same year are included in unrestricted net assets.
- Contract revenue is recognized as expenditures are incurred or services rendered.
- Revenue from special events is recognized in the period in which the event occurs.
- Program service fees are recognized over the period in which services are provided or costs are incurred.

## **BOYS AND GIRLS CLUBS OF DORCHESTER, INC.**

Notes to Financial Statements  
June 30, 2017 and 2016

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Revenue Recognition (Continued)**

- Interest income is recorded as earned and dividend income is recorded on the ex-dividend date. Realized gains or losses on investment transactions are recorded using the average-cost method. Unrealized gains and losses are recognized based on fair value changes during the period (see Note 3).
- All other revenues are recorded when they are earned.

#### **Donated Goods and Services**

The Club receives donated goods and services from various individuals or organizations for use in its programs and fundraising efforts. These goods and services are reflected in the accompanying financial statements at fair value as determined by management and the donors who contributed these goods and services. The donated goods associated with special events (see Note 13) are included in special events and contributions in the accompanying statements of activities and changes in net assets for the years ended June 30, 2017 and 2016.

During fiscal years 2017 and 2016, the Club had volunteers who donated their time to the Club's program services. The value of these goods and services is not reflected in the accompanying financial statements, since the value of these donations did not meet the criteria for recognition under U.S. GAAP.

#### **Investment Return Allocations**

Massachusetts state law allows the Club to appropriate as much of the appreciation of permanently restricted net assets as is prudent considering the Club's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

During fiscal years 2017 and 2016, the Board of Directors of the Club voted to allow for the use of a portion of the investment return for operations each year. The Club appropriated for operations 5% of the average fair value for each investment portfolio over a three year period, determined at least quarterly, in addition to all interest and dividends earned (see Note 3).

#### **Statements of Activities and Changes in Net Assets**

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenues (expenses) include endowment and investment activity (see Note 3), investment return on cash value of life insurance policies, capital grant activity, and donated property and equipment.

#### **Expense Allocation**

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentages attributable to program services, general and administrative and fundraising activities.

#### **Advertising Costs**

Advertising costs are expensed as incurred by the Club.

## BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Subsequent Events

Subsequent events have been evaluated through November 2, 2017, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

### 3. INVESTMENTS AND ENDOWMENT

Investments are presented in the accompanying financial statements at fair value using Level 1 inputs. The Club's investments consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 96,928	\$ 39,223
Mutual funds:		
Equities	1,226,395	1,139,308
Fixed income	<u>269,931</u>	<u>269,151</u>
Total investments	<u>\$ 1,593,254</u>	<u>\$ 1,447,682</u>

The total investment earnings for the years ended June 30, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Realized gain on sale of investments	\$ 165,309	\$ -
Interest and dividends	30,029	29,404
Unrealized gain (loss) on investments	<u>19,127</u>	<u>(12,558)</u>
	<u>\$ 214,465</u>	<u>\$ 16,846</u>

Unrealized gain (loss) on investments pertaining to permanently restricted net assets was \$21,597 and \$(19,839) for the years ended June 30, 2017 and 2016, respectively. Realized gain on sale of investments pertaining to permanently restricted net assets was \$105,689 for the year ended June 30, 2017. There were no realized gains on sales of investments during the year ended June 30, 2016. During fiscal years 2017 and 2016, the Club appropriated \$62,017 and \$61,168, respectively, of permanently restricted appreciation to operations.

The Club intends to hold the investments indefinitely. Accordingly, the investments are reflected as long-term assets in the accompanying statements of financial position regardless of maturity or liquidity. Investments are not insured and are subject to on-going market fluctuations.

The overall goal of the Club's endowment is to provide a level of support to the Club as determined by the spending policy (see Note 2) and reach the objective of maintaining or enhancing purchasing power. The primary investment objective is to achieve a competitive total rate of return (realized and unrealized capital gains plus income, after fees) commensurate with prudent diversification and moderate risk. Consistent with this objective, the portfolio will be structured among various asset classes employing equity-based mutual funds for both growth of capital and income and fixed income based mutual funds for current income and relative price stability. The investment objectives for the endowment portfolio assets shall be to achieve an average annual rate of return of the Consumer Price Index plus 5%.

## BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 3. INVESTMENTS AND ENDOWMENT (Continued)

The Board of Directors, through the Investment Committee, may employ the services of one or more investment managers to handle invested funds in accordance with these guidelines.

A reconciliation of endowment activity for fiscal years 2017 and 2016, is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2015	\$ 213,309	\$ 1,046,626	\$ 1,259,935
Unrealized loss	(19,839)	-	(19,839)
Investment appreciation - endowment allocated to operations	<u>(61,168)</u>	<u>-</u>	<u>(61,168)</u>
Endowment net assets, June 30, 2016	132,302	1,046,626	1,178,928
Realized and unrealized gains	127,286	-	127,286
Investment appreciation - endowment allocated to operations	<u>(62,017)</u>	<u>-</u>	<u>(62,017)</u>
Endowment net assets, June 30, 2017	<u>\$ 197,571</u>	<u>\$ 1,046,626</u>	<u>\$ 1,244,197</u>

### 4. CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES

The Club is the owner and beneficiary of two life insurance policies on a member of the Board of Directors with an aggregate face value of \$80,512. As of June 30, 2017 and 2016, the cash surrender value of the policies was \$92,105 and \$87,948, respectively. Investment return on cash value of life insurance policies totaled \$4,157 and \$4,027 for the years ended June 30, 2017 and 2016, respectively, and are included in non-operating revenues (expenses) in the accompanying statements of activities and changes in net assets.

### 5. NET ASSETS

#### Unrestricted Net Assets

Unrestricted net assets include the following:

**Operating net assets** consist of amounts relating to program and other operating activities which bear no external restrictions and are currently available for operations.

**Property and equipment net assets** reflect amounts expended and resources available for property and equipment, net of related debt.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts received with purpose or time restrictions which have not yet been expended for their purposes. Temporarily restricted net assets also include appreciation on permanently restricted net assets in accordance with Massachusetts state law and the Club's spending policy.

**BOYS AND GIRLS CLUBS OF DORCHESTER, INC.**Notes to Financial Statements  
June 30, 2017 and 2016

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**5. NET ASSETS (Continued)**

Temporarily restricted net assets at June 30, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Program restrictions	\$ 256,834	\$ 115,337
Accumulated unspent appreciation on permanently restricted investments	197,571	132,302
Capital restrictions	<u>25,000</u>	<u>-</u>
	<u>\$ 479,405</u>	<u>\$ 247,639</u>

**Permanently Restricted Net Assets**

Permanently restricted net assets represent amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent (see Note 2).

**6. NOTES PAYABLE**

Notes payable consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
5.25% note payable that matures in August 2021 (the maturity date). Interest and principal payments of \$2,153 are due monthly through the maturity date. The note is secured by all assets of the Club and is cross-collateralized and cross-defaulted with the line of credit with a bank (see Note 7). The note contains prepayment penalties if prepayment is made under certain circumstances.	\$ 96,394	\$ 116,523
4.75% note payable with a bank to purchase two vehicles. Interest and principal payments of \$1,255 are due monthly through October 2019. The note is secured by the vehicles.	<u>33,164</u>	<u>46,282</u>
Less - current portion	<u>129,558</u>	<u>162,805</u>
	<u>35,116</u>	<u>33,389</u>
Notes payable, net of current portion	<u>\$ 94,442</u>	<u>\$ 129,416</u>

Future minimum principal payments over the next five years are as follows:

2018	\$ 35,116
2019	\$ 36,933
2020	\$ 28,604
2021	\$ 24,958
2022	\$ 3,947

The above note payable agreements contain various non-financial covenants with which the Club must comply. The Club was in compliance with these covenants at June 30, 2017 and 2016.

## **BOYS AND GIRLS CLUBS OF DORCHESTER, INC.**

Notes to Financial Statements  
June 30, 2017 and 2016

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### **7. LINE OF CREDIT**

The Club has a \$250,000 line of credit agreement with a bank that renews annually. Borrowings are due on demand and interest is payable monthly at the bank's prime rate (4.25% and 3.5% at June 30, 2017 and 2016, respectively). The balance on the line of credit was \$130,000 as of June 30, 2017. There was no outstanding balance as of June 30, 2016. The line of credit is secured by all business assets of the Club and is cross-collateralized and cross-defaulted with the note payable (see Note 6). The line of credit has various non-financial covenants in which the Club must comply. The Club was in compliance with these covenants at June 30, 2017 and 2016.

### **8. CONCENTRATIONS**

#### **FDIC Coverage**

The Club maintains its cash balances in a Massachusetts bank. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances may exceed the insured amounts. The Club has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

#### **Commonwealth Funding**

The Club receives funding under unit-rate contracts from departments within the Commonwealth of Massachusetts (the Commonwealth). These reimbursements are subject to audit by the Commonwealth. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Club at June 30, 2017 and 2016, or on its changes in net assets for the years then ended.

For the years ended June 30, 2017 and 2016, the Club received 12% and 13%, respectively, of its unrestricted operating revenue and support from various departments within the Commonwealth. As of June 30, 2017 and 2016, 11% and 25%, respectively, of grants, contracts and other receivables were due from the Commonwealth.

#### **Other Funding**

As of June 30, 2017 and 2016, 32% and 15% of grants, contracts and other receivables were due from two and one payers, respectively.

### **9. RELATED PARTY TRANSACTIONS**

The spouse of the President/Chief Executive Officer (CEO) is the Vice President of Education at the Club, as well as an employee of the Dorchester Cluster (see Note 11).

The President/CEO and the VP of Programming of the Club are also members of the Board of Directors of a foundation that provided support, both directly and indirectly, to the Club totaling \$222,210 for the year ended June 30, 2017, of which \$150,000 is included in Rodman Ride contributions in the accompanying 2017 statement of activities and changes in net assets. The support provided to the Club by this foundation in fiscal year 2016 totaled \$230,050, of which \$150,000 is included in Rodman Ride contributions in the accompanying 2016 statement of activities and changes in net assets. These individuals abstain from any votes taken that pertain to funding for the Club.



## BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements  
June 30, 2017 and 2016

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### 9. RELATED PARTY TRANSACTIONS (Continued)

The President/CEO is a voting Board member and a member of the Executive Committee of Rodman Ride. The Rodman Ride is a not-for-profit organization that provided support, both directly and indirectly, to the Club totaling \$504,933 and \$457,324 (including the \$150,000 mentioned on page 14 in both fiscal year 2017 and 2016) for the years ended June 30, 2017 and 2016, respectively.

### 10. EMPLOYEE BENEFIT PLAN

The Club participates in a safe harbor 401(k) plan (the Plan), administered by the Boys and Girls Club Pension Trust, a separate corporation. The Plan covers all employees who have completed one year of service, worked at least 1,000 hours, and reached the age of 21. Under the Plan, the participants may contribute the maximum allowable by law. The Club contributes 3% of each eligible employee's current earnings and will make a matching contribution of an employee's contribution up to 2% of current earnings. Matching contributions made by the Club fully vest after three years. During fiscal years 2017 and 2016, the Club made contributions totaling \$88,628 and \$92,481, respectively, which are included in employee benefits in the accompanying statements of functional expenses.

### 11. CASH HELD FOR OTHERS

The Club acts as a fiscal agent for the Dorchester Cluster (the Cluster) (see Note 9). The Cluster is comprised of several childcare centers throughout the Dorchester neighborhoods and is funded by Boston Public Schools (BPS).

The Club receives a request for payment from the members of the Cluster and makes payments to these agencies. The revenues and expenses pertaining to amounts paid to the members of the Cluster are not included in the accompanying financial statements. As of June 30, 2017 and 2016, the Club was owed \$3,739 and \$22,695, respectively, from the Cluster for expenditures pertaining to the Cluster that were paid for by the Club in advance of the receipt of the funds from BPS. These amounts are included in grants, contracts and other receivables in the accompanying statements of financial position.

### 12. PROPERTY AND EQUIPMENT

Property and equipment are depreciated using the straight-line method over the estimated useful lives (see Note 2) and consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 7,174,653	\$ 7,134,755
Furniture, vehicles and equipment	553,641	526,217
Land and land improvements	578,205	507,281
	<u>8,306,499</u>	<u>8,168,253</u>
Less - accumulated depreciation	<u>4,097,562</u>	<u>3,882,960</u>
Net property and equipment	<u>\$ 4,208,937</u>	<u>\$ 4,285,293</u>

**BOYS AND GIRLS CLUBS OF DORCHESTER, INC.**Notes to Financial Statements  
June 30, 2017 and 2016

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**13. DONATED GOODS AND SERVICES**

The value of donated goods and services, excluding donated land, is as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Salaries	\$ 149,078	\$ 169,156
Special event advertising, raffle items and other (see below)	65,310	55,759
Event tickets and program supplies	<u>42,780</u>	<u>76,197</u>
	<u>\$ 257,168</u>	<u>\$ 301,112</u>

**14. CONDITIONAL GRANT**

During fiscal year 2017, the Club was awarded a \$500,000 grant, whose payments are conditional upon the Club meeting certain criteria, as defined in the agreement. During fiscal year 2017, the Club met the benchmarks to earn the first installment totaling \$100,000, which the donor designated for a specific purpose. During fiscal year 2017, the Club incurred costs totaling \$9,109 related to the donor's designated purpose and, as a result, this portion is included in unrestricted grants and contributions, as well as unrestricted operating net assets in the accompanying 2017 financial statements. The remaining \$90,891 is included in temporarily restricted grants and contributions and net assets in the accompanying 2017 financial statements. The remaining installments totaling up to \$400,000 have not been recorded in the accompanying financial statements as of June 30, 2017. The remaining installments will be recorded as grant and contribution revenue as the conditions are met.

**15. SPECIAL EVENTS AND CONTRIBUTIONS, NET**

Included in special events and contributions, net are the results of various special events that are held annually, which are shown net of related expenses in the accompanying statements of activities and changes in net assets. Special event revenue and direct expenses are summarized as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Special events contributions	\$ 588,070	\$ 435,481
Special events donated goods (see above)	65,310	55,759
Special events revenue	\$ 141,581	\$ 260,215
Less - direct expenses	<u>(234,172)</u>	<u>(229,403)</u>
	<u>\$ 560,789</u>	<u>\$ 522,052</u>

**16. RECLASSIFICATIONS**

Certain amounts in the fiscal year 2016 financial statements have been reclassified to conform to the fiscal year 2017 presentation.