



**BOYS & GIRLS CLUBS
OF DORCHESTER**

**FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

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June 30, 2018 and 2017

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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, 2018 and 2017, 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

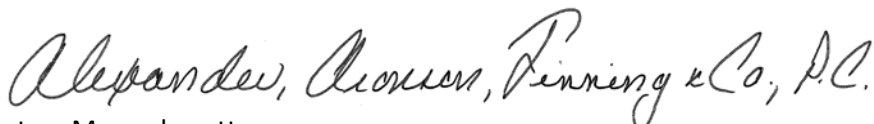
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2018 and 2017, 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 13, 2018

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

 Statements of Financial Position
 June 30, 2018 and 2017

Assets	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current Assets:								
Cash	\$ 100,711	\$ 353,786	\$ -	\$ 454,497	\$ -	\$ 190,943	\$ -	\$ 190,943
Grants, contracts and other receivables	274,279	129,027	-	403,306	433,384	90,891	-	524,275
Prepaid expenses and other	20,269	-	-	20,269	13,297	-	-	13,297
Total current assets	<u>395,259</u>	<u>482,813</u>	<u>-</u>	<u>878,072</u>	<u>446,681</u>	<u>281,834</u>	<u>-</u>	<u>728,515</u>
Investments	371,116	323,317	1,046,626	1,741,059	349,057	197,571	1,046,626	1,593,254
Cash Surrender Value of Life Insurance Policies	96,415	-	-	96,415	92,105	-	-	92,105
Property and Equipment, net	<u>4,049,862</u>	<u>-</u>	<u>-</u>	<u>4,049,862</u>	<u>4,208,937</u>	<u>-</u>	<u>-</u>	<u>4,208,937</u>
Total assets	<u>\$ 4,912,652</u>	<u>\$ 806,130</u>	<u>\$ 1,046,626</u>	<u>\$ 6,765,408</u>	<u>\$ 5,096,780</u>	<u>\$ 479,405</u>	<u>\$ 1,046,626</u>	<u>\$ 6,622,811</u>
Liabilities and Net Assets								
Current Liabilities:								
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ 130,000	\$ -	\$ -	\$ 130,000
Current portion of notes payable	36,933	-	-	36,933	35,116	-	-	35,116
Accounts payable and accrued expenses	240,916	-	-	240,916	234,142	-	-	234,142
Deferred revenue	81,201	-	-	81,201	69,318	-	-	69,318
Total current liabilities	<u>359,050</u>	<u>-</u>	<u>-</u>	<u>359,050</u>	<u>468,576</u>	<u>-</u>	<u>-</u>	<u>468,576</u>
Notes Payable, net of current portion	<u>57,631</u>	<u>-</u>	<u>-</u>	<u>57,631</u>	<u>94,442</u>	<u>-</u>	<u>-</u>	<u>94,442</u>
Total liabilities	<u>416,681</u>	<u>-</u>	<u>-</u>	<u>416,681</u>	<u>563,018</u>	<u>-</u>	<u>-</u>	<u>563,018</u>
Net Assets:								
Unrestricted:								
Operating	540,673	-	-	540,673	454,383	-	-	454,383
Property and equipment	3,955,298	-	-	3,955,298	4,079,379	-	-	4,079,379
Total unrestricted	<u>4,495,971</u>	<u>-</u>	<u>-</u>	<u>4,495,971</u>	<u>4,533,762</u>	<u>-</u>	<u>-</u>	<u>4,533,762</u>
Temporarily restricted	-	806,130	-	806,130	-	479,405	-	479,405
Permanently restricted	-	-	1,046,626	1,046,626	-	-	1,046,626	1,046,626
Total net assets	<u>4,495,971</u>	<u>806,130</u>	<u>1,046,626</u>	<u>6,348,727</u>	<u>4,533,762</u>	<u>479,405</u>	<u>1,046,626</u>	<u>6,059,793</u>
Total liabilities and net assets	<u>\$ 4,912,652</u>	<u>\$ 806,130</u>	<u>\$ 1,046,626</u>	<u>\$ 6,765,408</u>	<u>\$ 5,096,780</u>	<u>\$ 479,405</u>	<u>\$ 1,046,626</u>	<u>\$ 6,622,811</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, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support:								
Grants and contributions	\$ 1,053,623	\$ 242,358	\$ -	\$ 1,295,981	\$ 1,191,461	\$ 236,954	\$ -	\$ 1,428,415
Contracts	1,234,355	-	-	1,234,355	1,165,922	-	-	1,165,922
Special events and contributions, net	782,644	-	-	782,644	560,789	-	-	560,789
Program service fees	740,044	-	-	740,044	746,505	-	-	746,505
Rodman Ride contributions	522,550	-	-	522,550	504,933	-	-	504,933
Donated goods and services	207,081	-	-	207,081	191,858	-	-	191,858
United Way contributions	113,376	-	-	113,376	131,198	-	-	131,198
Investment appreciation - endowment allocated to operations	61,796	-	-	61,796	62,017	-	-	62,017
Investment income	35,318	-	-	35,318	30,029	-	-	30,029
Other	1,391	-	-	1,391	1,652	-	-	1,652
Net assets released from program restrictions	135,879	(135,879)	-	-	95,457	(95,457)	-	-
Total operating revenue and support	<u>4,888,057</u>	<u>106,479</u>	<u>-</u>	<u>4,994,536</u>	<u>4,681,821</u>	<u>141,497</u>	<u>-</u>	<u>4,823,318</u>
Operating Expenses:								
Program services:								
Licensed Childcare	1,358,044	-	-	1,358,044	1,317,621	-	-	1,317,621
Recreation and Education	2,520,858	-	-	2,520,858	2,357,334	-	-	2,357,334
Total program services	<u>3,878,902</u>	<u>-</u>	<u>-</u>	<u>3,878,902</u>	<u>3,674,955</u>	<u>-</u>	<u>-</u>	<u>3,674,955</u>
General and administrative	598,288	-	-	598,288	589,153	-	-	589,153
Fundraising	473,044	-	-	473,044	515,245	-	-	515,245
Total operating expenses	<u>4,950,234</u>	<u>-</u>	<u>-</u>	<u>4,950,234</u>	<u>4,779,353</u>	<u>-</u>	<u>-</u>	<u>4,779,353</u>
Changes in net assets from operations	<u>(62,177)</u>	<u>106,479</u>	<u>-</u>	<u>44,302</u>	<u>(97,532)</u>	<u>141,497</u>	<u>-</u>	<u>43,965</u>
Non-Operating Revenues (Expenses):								
Grants and contributions - capital	59,813	94,500	-	154,313	74,327	25,000	-	99,327
Net gains on investments	24,385	123,420	-	147,805	57,150	127,286	-	184,436
Investment return on cash value of life insurance policies	4,310	-	-	4,310	4,157	-	-	4,157
Donated property and equipment	-	-	-	-	30,850	-	-	30,850
Reallocated investment appreciation - endowment	(64,122)	64,122	-	-	-	-	-	-
Investment appreciation - endowment allocated to operations	-	(61,796)	-	(61,796)	-	(62,017)	-	(62,017)
Total non-operating revenues (expenses)	<u>24,386</u>	<u>220,246</u>	<u>-</u>	<u>244,632</u>	<u>166,484</u>	<u>90,269</u>	<u>-</u>	<u>256,753</u>
Changes in net assets	<u>(37,791)</u>	<u>326,725</u>	<u>-</u>	<u>288,934</u>	<u>68,952</u>	<u>231,766</u>	<u>-</u>	<u>300,718</u>
Net Assets:								
Beginning 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>
End of year	<u>\$ 4,495,971</u>	<u>\$ 806,130</u>	<u>\$ 1,046,626</u>	<u>\$ 6,348,727</u>	<u>\$ 4,533,762</u>	<u>\$ 479,405</u>	<u>\$ 1,046,626</u>	<u>\$ 6,059,793</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 288,934	\$ 300,718
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	227,497	214,602
Net gains on investments	(147,805)	(184,436)
Investment return on cash value of life insurance policies	(4,310)	(4,157)
Grants and contributions - capital	(154,313)	(99,327)
Donated property and equipment	-	(30,850)
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	120,969	(251,084)
Prepaid expenses and other	(6,972)	4,107
Accounts payable and accrued expenses	19,830	(5,170)
Deferred revenue	11,883	(3,886)
Net cash provided by (used in) operating activities	<u>355,713</u>	<u>(59,483)</u>
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	-	318,724
Acquisition of property and equipment	(81,478)	(99,855)
Purchase of investments	-	(279,860)
Net cash used in investing activities	<u>(81,478)</u>	<u>(60,991)</u>
Cash Flows from Financing Activities:		
Net proceeds (repayment) of line of credit	(130,000)	130,000
Grants and contributions - capital	154,313	99,327
Principal payments on notes payable	(34,994)	(33,247)
Net cash provided by (used in) financing activities	<u>(10,681)</u>	<u>196,080</u>
Net Change in Cash	263,554	75,606
Cash:		
Beginning of year	<u>190,943</u>	<u>115,337</u>
End of year	<u>\$ 454,497</u>	<u>\$ 190,943</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 10,301</u>	<u>\$ 9,530</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gain on investments	<u>\$ 147,805</u>	<u>\$ 19,127</u>
Property and equipment acquisitions financed via accounts payable and accrued expenses	<u>\$ 1,488</u>	<u>\$ 14,544</u>

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Statement of Functional Expenses
 For the Year Ended June 30, 2018
 (With Summarized Comparative Totals for the Year Ended June 30, 2017)

	2018					2017	
	Program Services			General and Administrative	Fundraising	Total	Total
	Licensed Childcare	Recreation and Education	Total Program Services				
Salaries and Related:							
Salaries	\$ 948,929	\$ 1,478,335	\$ 2,427,264	\$ 314,537	\$ 334,636	\$ 3,076,437	\$ 2,967,626
Employee benefits	89,084	118,468	207,552	86,126	31,016	324,694	300,417
Payroll taxes	73,060	98,808	171,868	23,227	26,432	221,527	209,351
Total salaries and related	<u>1,111,073</u>	<u>1,695,611</u>	<u>2,806,684</u>	<u>423,890</u>	<u>392,084</u>	<u>3,622,658</u>	<u>3,477,394</u>
Occupancy:							
Depreciation	51,841	87,614	139,455	16,279	18,301	174,035	170,961
Utilities	33,242	120,601	153,843	5,071	4,404	163,318	160,386
Repairs and maintenance	26,067	78,288	104,355	8,313	5,057	117,725	123,369
Insurance	14,157	51,914	66,071	5,624	3,630	75,325	70,141
Interest	1,291	2,511	3,802	6,119	380	10,301	9,530
Total occupancy	<u>126,598</u>	<u>340,928</u>	<u>467,526</u>	<u>41,406</u>	<u>31,772</u>	<u>540,704</u>	<u>534,387</u>
Other:							
Program activities and supplies	99,554	360,264	459,818	-	-	459,818	463,095
Consulting	99	18,697	18,796	28,888	10,566	58,250	63,502
Depreciation	8,733	36,337	45,070	6,098	2,294	53,462	43,641
Professional fees	-	-	-	40,705	-	40,705	36,796
Miscellaneous	2,364	5,338	7,702	25,904	533	34,139	32,521
Staff training and travel	3,226	14,264	17,490	9,473	7,107	34,070	23,972
Dues and subscriptions	-	21,400	21,400	689	444	22,533	19,501
Equipment rental	1,897	9,485	11,382	531	7,330	19,243	21,349
Advertising	-	-	-	1,902	13,632	15,534	13,503
Telephone	4,387	6,832	11,219	2,351	432	14,002	19,478
Office supplies	-	2,495	2,495	7,089	1,992	11,576	6,385
Scholarships	-	9,132	9,132	-	-	9,132	2,701
Postage and printing	113	75	188	2,650	4,858	7,696	9,315
Insurance	-	-	-	6,082	-	6,082	6,156
Investment management fees	-	-	-	630	-	630	5,657
Total other	<u>120,373</u>	<u>484,319</u>	<u>604,692</u>	<u>132,992</u>	<u>49,188</u>	<u>786,872</u>	<u>767,572</u>
Total expenses	<u>\$ 1,358,044</u>	<u>\$ 2,520,858</u>	<u>\$ 3,878,902</u>	<u>\$ 598,288</u>	<u>\$ 473,044</u>	<u>\$ 4,950,234</u>	<u>\$ 4,779,353</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, 2017

	Program Services			General and Adminis- trative	Fundraising	Total
	Licensed Childcare	Recreation and Education	Total Program Services			
Salaries and Related:						
Salaries	\$ 890,314	\$ 1,350,778	\$ 2,241,092	\$ 350,014	\$ 376,520	\$ 2,967,626
Employee benefits	77,464	105,510	182,974	76,637	40,806	300,417
Payroll taxes	68,862	91,930	160,792	19,894	28,665	209,351
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>
Occupancy:						
Depreciation	51,135	85,639	136,774	16,092	18,095	170,961
Utilities	33,658	116,491	150,149	5,258	4,979	160,386
Repairs and maintenance	32,975	79,364	112,339	6,127	4,903	123,369
Insurance	16,110	45,530	61,640	4,298	4,203	70,141
Interest	1,638	3,190	4,828	4,219	483	9,530
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>
Other:						
Program activities and supplies	95,674	367,421	463,095	-	-	463,095
Consulting	26,065	17,416	43,481	14,609	5,412	63,502
Depreciation	6,277	31,138	37,415	4,591	1,635	43,641
Professional fees	-	-	-	36,796	-	36,796
Miscellaneous	1,724	5,578	7,302	24,733	486	32,521
Staff training and travel	4,835	12,776	17,611	2,677	3,684	23,972
Dues and subscriptions	1,150	17,611	18,761	125	615	19,501
Equipment rental	2,247	9,903	12,150	1,129	8,070	21,349
Advertising	707	-	707	2,394	10,402	13,503
Telephone	5,624	10,479	16,103	2,593	782	19,478
Office supplies	-	1,460	1,460	4,168	757	6,385
Scholarships	-	2,701	2,701	-	-	2,701
Postage and printing	1,162	2,419	3,581	986	4,748	9,315
Insurance	-	-	-	6,156	-	6,156
Investment management fees	-	-	-	5,657	-	5,657
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>
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>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2018 and 2017

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.

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, 2018 and 2017, 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.

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 over \$1,000 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

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Land is not depreciated.

During fiscal year 2017, the Club received donated property and equipment with a fair value of \$30,850. The donated property was reflected as donated property and equipment in the accompanying statement of activities and changes in net assets for the year ended June 30, 2017. There was no donated property in fiscal year 2018.

The Club accounts for the carrying value of its property and equipment in accordance with ASC Topic, *Property, Plant, and Equipment*. The Club has not recognized any reduction in the carrying value of its property and equipment when considering this standard during fiscal year 2018 or 2017.

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.

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. 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.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

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.

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.

Temporarily restricted net assets at June 30, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Program restrictions	\$ 363,313	\$ 256,834
Accumulated unspent appreciation on permanently restricted investments	323,317	197,571
Capital restrictions	<u>119,500</u>	<u>25,000</u>
	<u>\$ 806,130</u>	<u>\$ 479,405</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 page 10).

Reallocated Investment Allocation - Endowment

During fiscal year 2018, the Club determined that \$64,122 of previously reported unrestricted appreciation on investments pertained to temporarily restricted net assets based on clarification of the donors' original intent. Accordingly, this amount has been reflected as reallocated investment appreciation on the accompanying statement of activities and changes in net assets for the year ended June 30, 2018.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment and Investment Return Allocations

Massachusetts state law allows the Club to appropriate as much of the appreciation of permanently restricted net assets as is deemed 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 2018 and 2017, 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.

The overall goal of the Club's endowment is to provide a level of support to the Club as determined by the spending policy 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%.

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.
- 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.
- All other revenues are recorded when they are earned.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 12) are included in special events and contributions in the accompanying statements of activities and changes in net assets for the years ended June 30, 2018 and 2017.

During fiscal years 2018 and 2017, 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.

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, investment return on cash value of life insurance policies, capital grant activity, and donated property and equipment.

Expense Allocation

Expenses related directly to a function are distributed to that function, 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.

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, 2018 and 2017. The Club's informational returns are subject to examination by Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through November 13, 2018, 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.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.Notes to Financial Statements
June 30, 2018 and 2017**3. INVESTMENTS AND ENDOWMENT**

The Club's investments consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 91,437	\$ 96,928
Mutual funds:		
Equities	1,387,998	1,226,395
Fixed income	<u>261,624</u>	<u>269,931</u>
Total investments	<u>\$ 1,741,059</u>	<u>\$ 1,593,254</u>

The total investment earnings for the years ended June 30, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Unrealized gain on investments	\$ 147,805	\$ 19,127
Interest and dividends	35,318	30,029
Realized gain on sale of investments	<u>-</u>	<u>165,309</u>
	<u>\$ 183,123</u>	<u>\$ 214,465</u>

Unrealized gain on investments pertaining to permanently restricted net assets was \$123,420 and \$21,597 for the years ended June 30, 2018 and 2017, respectively. Realized gain on sale of investments pertaining to permanently restricted net assets was \$105,689 for the year ended June 30, 2017. There was no realized gain for the year ended June 30, 2018. During fiscal years 2018 and 2017, the Club appropriated \$61,796 and \$62,017, 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 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 2018 and 2017, is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2016	\$ 132,302	\$ 1,046,626	\$ 1,178,928
Net 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	197,571	1,046,626	1,244,197
Unrealized gains	123,420	-	123,420
Reallocated investment appreciation	64,122	-	64,122
Investment appreciation - endowment allocated to operations	<u>(61,796)</u>	<u>-</u>	<u>(61,796)</u>
Endowment net assets, June 30, 2018	<u>\$ 323,317</u>	<u>\$ 1,046,626</u>	<u>\$ 1,369,943</u>

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017, the cash surrender value of the policies was \$96,415 and \$92,105, respectively. Investment return on cash value of life insurance policies totaled \$4,130 and \$4,157 for the years ended June 30, 2018 and 2017, respectively, and are included in non-operating revenues (expenses) in the accompanying statements of activities and changes in net assets.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 7,225,003	\$ 7,174,653
Furniture, vehicles and equipment	571,713	553,641
Land and land improvements	<u>578,205</u>	<u>578,205</u>
	8,374,921	8,306,499
Less - accumulated depreciation	<u>4,325,059</u>	<u>4,097,562</u>
Net property and equipment	<u>\$ 4,049,862</u>	<u>\$ 4,208,937</u>

6. NOTES PAYABLE

Notes payable consist of the following at June 30:

	<u>2018</u>	<u>2017</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.	\$ 75,165	\$ 96,394
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>19,399</u>	<u>33,164</u>
	94,564	129,558
Less - current portion	<u>36,933</u>	<u>35,116</u>
Notes payable, net of current portion	<u>\$ 57,631</u>	<u>\$ 94,442</u>

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

2019	\$ 36,933
2020	\$ 28,626
2021	\$ 24,958
2022	\$ 4,047

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, 2018 and 2017.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2018 and 2017

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 (5.00% and 4.25% at June 30, 2018 and 2017, respectively). The balance on the line of credit was \$130,000 as of June 30, 2017. There was no balance as of June 30, 2018. 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, 2018 and 2017.

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, 2018 and 2017, or on its changes in net assets for the years then ended.

For the years ended June 30, 2018 and 2017, the Club received 12% and 13%, respectively, of its unrestricted operating revenue and support from various departments within the Commonwealth. As of June 30, 2018 and 2017, 11% of grants, contracts and other receivables was due from the Commonwealth.

Other Funding

As of June 30, 2018 and 2017, 20% and 32% of grants, contracts and other receivables were due from one and two payers, respectively.

9. CASH HELD FOR OTHERS

The Club acts as a fiscal agent for the Dorchester Cluster (the Cluster) (see Note 13). 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, 2018 and 2017, the Club was owed \$1,429 and \$3,739, 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.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2018 and 2017

10. DONATED GOODS AND SERVICES

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

	<u>2018</u>	<u>2017</u>
Salaries	\$ 187,879	\$ 149,078
Special event advertising, raffle items and other (see Note 12)	35,990	65,310
Event tickets and program supplies	<u>19,202</u>	<u>42,780</u>
	<u>\$ 243,071</u>	<u>\$ 257,168</u>

11. CONDITIONAL GRANTS

The Club has been awarded multiple grants totaling \$750,000 in which payments are conditional upon the Club meeting certain program criteria, as defined in the respective agreements. During fiscal years 2018 and 2017, the Club met the program criteria to earn \$174,224 and \$92,442, respectively. The remaining installments of up to \$483,334 have not been recorded in the accompanying financial statements as of June 30, 2018. The remaining installments will be recorded as the grant conditions are met.

12. 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>2018</u>	<u>2017</u>
Special events contributions	\$ 713,940	\$ 588,070
Special events donated goods (see Note 10)	35,990	65,310
Special events revenue	\$ 252,895	\$ 141,581
Less - direct expenses (including donated goods)	<u>(220,181)</u> <u>32,714</u>	<u>(234,172)</u> <u>(92,591)</u>
Special events and contributions, net	<u>\$ 782,644</u>	<u>\$ 560,789</u>

The indirect expenses associated with special events are included in fundraising in the accompanying statements of functional expenses.

13. 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 9). The Vice President of Education received compensation from the Club and the Dorchester Cluster totaling approximately \$128,000 and \$133,000 for the years ended June 30, 2018 and 2017, respectively.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2018 and 2017

13. RELATED PARTY TRANSACTIONS (Continued)

The President/CEO and the Vice President 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 \$249,750 for the year ended June 30, 2018, of which \$175,000 is included in Rodman Ride contributions in the accompanying 2018 statement of activities and changes in net assets. The support provided to the Club by this foundation during fiscal year 2017 totaled \$222,210, of which \$150,000 was included in Rodman Ride contributions in the accompanying 2017 statement of activities and changes in net assets. These individuals abstain from any votes taken that pertain to funding for the Club.

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 \$522,550 and \$504,933 (including the \$175,000 and \$150,000 mentioned on above pertaining to fiscal years 2018 and 2017, respectively) for the years ended June 30, 2018 and 2017, respectively.

14. 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 2018 and 2017, the Club made contributions totaling \$91,213 and \$88,628, respectively, which are included in employee benefits in the accompanying statements of functional expenses.