

**Combined Audited Financial Statements**

**BOYS & GIRLS CLUB OF EL DORADO, INC.  
AND RELATED ENTITY**

**December 31, 2016**

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# PARKS & COMPANY PLC

A PROFESSIONAL LIMITED COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

441 N. WASHINGTON AVE.  
EL DORADO, ARKANSAS 71730  
(870) 862-3401

## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors  
Boys and Girls Club of El Dorado, Inc. and Related Entity  
El Dorado, Arkansas

### Report on the Financial Statements

We have audited the accompanying financial statements of Boys and Girls Club of El Dorado, Inc. (a not-for-profit organization) and Related Entity (collectively referred to as the "Club"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Club as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member American Institute of Certified Public Accountants

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the Club's basic financial statements. The combining financial statements and schedule on pages 16 through 19 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016 on our consideration of the Club's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Parks & Company PLC*

July 25, 2017

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**Combined Statement of Financial Position**  
**December 31, 2016**

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 93,836
Pledges receivable - United Way	300,000
Pledges receivable - other	<u>6,400</u>
Total current assets	<u>400,236</u>

**Non-current Assets**

Property and equipment, net	1,459,878
Long-term investments	<u>905,816</u>
Total non-current assets	<u>2,365,694</u>

**TOTAL ASSETS**

\$ 2,765,930

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 7,719
Other liabilities	<u>20,849</u>
Total current liabilities	<u>28,568</u>

**Net Assets**

Unrestricted	1,651,022
Unrestricted board designated - endowment	988,800
Temporarily restricted	22,540
Permanently restricted	<u>75,000</u>
Total net assets	<u>2,737,362</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 2,765,930

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The accompanying notes are an integral part of these financial statements.

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**Combined Statement of Activities**  
**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>				
United Way	\$ 300,000	-	-	300,000
City of El Dorado	25,000	-	-	25,000
Grants	241,710	-	-	241,710
Sponsors	18,719	-	-	18,719
Contributions and pledges	139,561	-	-	139,561
Program fees and dues	84,417	-	-	84,417
Special events	190,594	-	-	190,594
Concessions	17,691	-	-	17,691
Miscellaneous income	5,356	-	-	5,356
<b>Total Support &amp; Revenue</b>	<u>1,023,048</u>	<u>-</u>	<u>-</u>	<u>1,023,048</u>
<b>Operating Expenses</b>				
Program services	822,719	-	-	822,719
Supporting services:				
Management and general	153,897	-	-	153,897
Fundraising	133,574	-	-	133,574
Total supporting services	<u>287,471</u>	<u>-</u>	<u>-</u>	<u>287,471</u>
<b>Total operating expenses</b>	<u>1,110,190</u>	<u>-</u>	<u>-</u>	<u>1,110,190</u>
<b>Non-operating activities:</b>				
Dividend income	8,042	-	-	8,042
Capital gain distributions	1,487	-	-	1,487
Net realized gains (losses) on investments	(1,728)	-	-	(1,728)
Net unrealized gains (losses) on investments	(3,141)	-	-	(3,141)
Investment brokerage fees	(9,463)	-	-	(9,463)
<b>Non-operating income (expense), net</b>	<u>(4,803)</u>	<u>-</u>	<u>-</u>	<u>(4,803)</u>
<b>Change in Net Assets</b>	<u>(91,945)</u>	<u>-</u>	<u>-</u>	<u>(91,945)</u>
<b>Net Assets - Beginning of Year</b>	<u>2,731,767</u>	<u>22,540</u>	<u>75,000</u>	<u>2,829,307</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,639,822</u>	<u>22,540</u>	<u>75,000</u>	<u>2,737,362</u>

The accompanying notes are an integral part of these financial statements.

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**Combined Statement of Functional Expenses**  
**For the Year Ended December 31, 2016**

	Program Services		Total	Supporting Services		Total	Total
	Sports, Fitness and Recreation	Educational and Social	Program Services	Management & General	Fundraising	Supporting Services	
Salaries and wages	\$ 250,195	62,548	312,743	63,817	7,091	70,908	383,651
Payroll taxes	20,296	5,074	25,370	5,177	575	5,752	31,122
Pension and other distributons	12,105	3,026	15,131	3,088	343	3,431	18,562
Insurance	26,368	6,592	32,960	6,726	747	7,473	40,433
<b>Total compensation &amp; related expenses</b>	<b>308,964</b>	<b>77,240</b>	<b>386,204</b>	<b>78,808</b>	<b>8,756</b>	<b>87,564</b>	<b>473,768</b>
Concessions	11,282	2,820	14,102	-	-	-	14,102
Conferences	2,645	661	3,306	583	-	583	3,889
Depreciation	48,879	12,219	61,098	6,789	-	6,789	67,887
Dues and memberships	4,820	1,205	6,025	4,202	-	4,202	10,227
General office operations	-	-	-	21,057	-	21,057	21,057
Insurance	35,510	8,877	44,387	7,833	-	7,833	52,220
Maintenance - buildings	7,218	1,805	9,023	1,592	-	1,592	10,615
Maintenance - fields	1,986	-	1,986	-	-	-	1,986
Maintenance - other	15,193	3,798	18,991	3,351	-	3,351	22,342
Postage & shipping	1,201	301	1,502	265	-	265	1,767
Professional services	10,911	411	11,322	21,516	-	21,516	32,838
Program activities:							
Staff and supplies	41,447	16,736	58,183	-	-	-	58,183
Food	107,541	43,424	150,965	-	-	-	150,965
Scholarships	-	2,500	2,500	-	-	-	2,500
Special events	-	8,359	8,359	-	124,818	124,818	133,177
Telephone	10,467	2,616	13,083	2,309	-	2,309	15,392
Travel and meals	2,081	520	2,601	459	-	459	3,060
Utilities	23,267	5,817	29,084	5,132	-	5,132	34,216
<b>Totals - All expenses</b>	<b>\$ 633,410</b>	<b>189,309</b>	<b>822,719</b>	<b>153,897</b>	<b>133,574</b>	<b>287,471</b>	<b>1,110,190</b>

The accompanying notes are an integral part of these financial statements.

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**Combined Statements of Cash Flows**  
**For the Year Ended December 31, 2016**

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**Cash Flows from Operating and Non-Operating Activities**

Change in net assets	\$ (91,945)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	67,887
Realized losses from sale of investments	1,728
Changes in assets and liabilities:	
Decrease in pledges receivable	25,803
Decrease in other receivables	1,000
Increase in accounts payable	2,520
Increase in other liabilities	8,771
Net cash provided by (used in) operating activities	<u>15,764</u>
<b>Cash Flows from Investing Activities:</b>	
Investment purchases and maturities, net	4,589
Purchase of property and equipment	<u>(40,960)</u>
Net cash provided by (used in) investing activities	<u>(36,371)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(20,607)</b>
<b>Cash and cash equivalents - beginning of year</b>	<u>114,443</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 93,836</u></u>

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The accompanying notes are an integral part of these financial statements.



**NOTES TO FINANCIAL STATEMENTS**

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

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**NOTE 1: DESCRIPTION OF CLUB**

The Boys and Girls Club of El Dorado, Inc. and Related Entity (the "Club") provides various athletic, educational, and recreational programs for children and teenagers. The Club has adopted the following mission statement:

The primary mission of The Boys & Girls Club of El Dorado is to enhance the quality of life for all youth as participating members of a diverse society, with special concern for the disadvantaged.

The Boys & Girls Club of El Dorado assists youth to help themselves and to realize their potential for growth and development by providing them with relevant everyday and varied individual and group services. The Boys & Girls Club of El Dorado wants to demonstrate that adults do care for youth and truly desire to help them grow into responsible, contributing adults and citizens.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The Club prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America for not-for-profit entities. The significant accounting and reporting policies used by the Club are described subsequently to enhance the usefulness and understandability of the financial statements.

***Basis of Presentation***

The Club has adopted *Accounting Standards Codification (ASC) 958, Not-for-Profit Entities*. Under ASC 958, the Club is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Club did not receive any permanently restricted support or revenue in the current or any prior year; however, this category is presented in the Statement of Activities.

***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the financial statement date. On an ongoing basis, the Club's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

***Net assets***

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

***Unrestricted Net Assets***

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Club; the environment in which it operates; the purposes specified in its corporate documents and its application for tax-exempt status; and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Net Assets (continued)***

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Club's unspent contributions are reported in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Club, unless the donor provides more specific directions about the period of its use.

**Permanently Restricted Net Assets**

Permanently restricted net assets are resources whose use by the Club is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

All revenues and gains are reported as increases in net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and losses are reported as decreases in unrestricted net assets.

**Cash Equivalents**

For purposes of cash flows, the Club considers all cash in checking and savings accounts with financial institutions and money market funds to be cash equivalents. Deposits with financial institutions as of December 31, 2016, did not exceed Federal Deposit Insurance Corporation coverage. Time deposits purchased with original maturities of less than three months are also included with cash and cash equivalents.

**Contributions/Pledges Receivable**

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. As of December 31, 2016, the Club had pledges receivable of \$6,400. This net total assumes \$750 of pledges that management classified as uncollectible.

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Land, Buildings, and Equipment***

Land, buildings, and; equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land is capitalized. Equipment, furniture, and vehicles are capitalized if they have a cost of \$300 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	25-40 years
Equipment	3-7 years

Equipment, furniture, and vehicles are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

***Endowment Investments***

Endowment investments consist of board-designated endowments, which are resources set aside by the Board of Directors for an indeterminate period to operate in manner similar to a donor-restricted permanent endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action by the Board of Directors.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources.

Endowment investments are reported at fair value.

***Accounting for Contributions***

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless that contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Gifts-in-Kind Contributions***

The Club periodically receives contributions in a form other than cash. If the Club receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meet the Club's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as an unconditional promise to give at the date of the gift, and the expense is reported over the term of use. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

The Club benefits from personal services provided by volunteers who have donated significant amounts of time and services in the Club's program operations and fundraising campaigns. The majority of these contributed services do not meet the criteria for recognition in the financial statements. US GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. The Club has not recorded any of these donated services as in-kind contributions in the 2016 financial statements.

***Grant Revenue***

Grant revenue is recognized when qualifying costs are incurred for cost-reimbursement grants or contracts, or when a unit of service is provided for performance grants. Revenue from state or granting agencies is subject to independent audit under requirements imposed by the specific agency cost reimbursement guidelines or fee schedule. The review could result in disallowance of expenditures under the terms of the contract or future contract funds. Based on prior experience, the Club's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Club.

***Expense Recognition and Allocations***

The cost of providing the Club's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Club.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Club generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report of donor acknowledgments contains requests for contributions, joint costs are allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Tax Status***

The Club is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending 2016, 2015, and 2014 are still open to audit for both federal and state purposes. Contributions to the Club are tax deductible to donors under Section 170 of the IRC. The Club is not classified as a private foundation.

***Compensated Absences Liability***

The Club does not record any liability for accrued compensated absences. The Club does provide some paid annual and sick leave time for employees. However, such paid leave time may or may not be allowed depending upon individual circumstances, and therefore the Club does not have sufficient basis to estimate this accrued liability. Such a liability, if any, is considered insignificant by management.

***Principles of Combination***

The combined financial statements include the accounts of the Club and a related entity, the Boys and Girls Club Foundation ("the Foundation"). The Foundation maintains nonprofit board-designated endowment funds on a permanent basis, from which grants, loans, or gifts are made to or for the benefit of the Club. The Club maintains an economic interest and control through majority voting rights on the Foundation's board of directors. This control serves as the basis for combination.

**NOTE 3: FAIR VALUE MEASUREMENTS**

The Club reports its fair value measurements using a three-level hierarchy that prioritizes the inputs used to measure the fair value. The hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

*Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Club has access at the measurement date.

*Level 2.* Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted market prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

*Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE 3: FAIR VALUE MEASUREMENTS (CONTINUED)**

When available, the Club measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Club is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Club's financial statement are

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give;
- recurring measurement of short term investments; and
- recurring measurement of endowment investments.

**NOTE 4: INVESTMENTS**

Investments, at fair value, consist of the following at December 31, 2016

Short-term investments:

Cash equivalents in money market funds	\$ 52,658
Total short-term investments	<u>52,658</u>

Long-term investments:

Mutual funds	849,601
Equities	<u>56,215</u>
Total long-term investments	<u>905,816</u>
Total investments	<u>\$ 958,474</u>

As discussed at Note 3 to these financial statements, the Club is required to report its fair value measurements in one of the three levels, which are based on the ability to observe in the marketplace the inputs to the Club's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of December 31, 2016. Level 2 is for assets in inactive markets, and for investments measured at net asset value that can be redeemed in the near term. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any market activity for the investment.

The Club uses the following ways to determine the fair value of its investments.

*Money market funds:* Determined by the published net asset value per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

*Equity securities traded on national security exchanges:* Determined by the closing price on the last business day of the fiscal year.

*Equity securities traded on the over-the-counter market:* Determined by the last reported bid price, if actively traded.

*Open-end mutual funds:* Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for the transactions at that date.

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4: INVESTMENTS (CONTINUED)**

The following table summarizes the levels in the fair value hierarchy for Club's investments at December 31, 2016.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Money market funds	\$ 52,658	52,658	-
U.S. common stocks	56,215	56,215	-
Mutual funds:			
Large cap growth	235,175	235,175	-
Large cap value	336,893	336,893	-
Small cap return	50,464	50,464	-
Multisector bond	90,961	90,961	-
Managed futures	136,108	136,108	-
	<u>\$ 958,474</u>	<u>958,474</u>	<u>-</u>

There were no transfers between the levels during the year. The Club's policy is to recognize transfers in and out at the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized. At December 31, 2016, the Club did not have any investments measured using level 2 or level 3 inputs.

The composition of the investment return reported in the statement of activities was as follows:

Dividends	8,042
Capital gain distributions	1,487
Realized gains (losses), net	(1,728)
Unrealized gains and losses, net	(3,141)
Investment brokerage fees	(9,463)
Total investment income (expenses), net	<u>\$ (4,803)</u>

**NOTE 5: LAND, BUILDINGS, AND EQUIPMENT**

A summary of land, buildings and equipment as of December 31, 2016 is as follows:

Land	\$ 195,540
Buildings and improvements	2,692,220
Program equipment	194,928
Office equipment & furniture	123,537
Vehicles	28,047
	<u>3,234,272</u>
Less - accumulated depreciation and amortization	<u>1,774,394</u>
Land, buildings and equipment (net)	<u>\$ 1,459,878</u>

Depreciation expense for the year ended December 31, 2016 was \$67,887.



**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE 6: RELATED PARTY TRANSACTIONS**

The Club pays annual membership dues to the Boys and Girls Club of America ("BGCA"), its national affiliate. During the year ended December 31, 2016 the Club paid BGCA membership dues totaling \$6,060.

**NOTE 7: PENSION PLAN**

The Club participates in a defined contribution pension plan for the benefit of its employees. Under the plan, the Club contributes 5% of eligible employees' annual compensation. In order to participate, an employee must have one thousand hours of service during the plan year, which begins on July 1 and ends on June 30 of the following year. The Club contributed \$7,393 to the pension plan during 2016 and \$8,893 of additional contributions for 2016 were accrued and paid in January 2017 for a total contribution of \$16,286 for 2016.

Additionally, the Club sponsors a 403(b) retirement savings program which enables employees to make voluntary contributions to a retirement plan.

**NOTE 8: PLEDGES RECEIVABLE – UNITED WAY**

The United Way of Union County (United Way) makes significant annual contributions to the Club. The United Way's pledge is made in early December each year. The financial statements present the pledged contributions for 2017 as a receivable, which is included in revenue during the current period. The United Way's pledge for 2017 will be distributed to the Club through six separate disbursements totaling \$300,000.

The pledges receivable from the United Way represent approximately 98% of total receivables at December 31, 2016. Management determined that the entire balance was collectable and does not believe an allowance for uncollectable receivables is necessary.

**NOTE 9: PERMANENTLY RESTRICTED ASSETS**

During the year ended December 31, 2016 the Club had \$75,000 in permanently restricted assets that consisted of thirty-six acres of land. The restricted assets are as follows:

- In 1952, the Club entered into a ninety-nine year lease agreement with the City of El Dorado that entitles the Club to use six acres of land that belongs to the city for program purposes. In subsequent years the Club entered into three other leases with the City of El Dorado. All of these subsequent leases have terms that are contemporaneous to the 1952 lease. The Club does not pay any money for any of these land leases nor does the land transfer to the Club at the end of the lease term. The land associated with these leases has been capitalized as a permanently restricted asset since the leases are in fact contributions of land. A historical cost appraisal was performed in order to value this land in accordance with generally accepted accounting principles. The value assigned to this land was \$22,000.
- In 1994 twenty acres of land was donated to the Club to be used for athletic fields. The donor permanently restricted the use of the land. The fair market value at the date of donation was \$48,000, which was determined by independent appraisal.
- In 1995 ten acres of land was donated to the Club. The donor permanently restricted the use of this land. The fair market value at the date of donation was \$5,000, which was determined by independent appraisal.

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE 10: TEMPORARILY RESTRICTED ASSETS**

The Club had temporarily restricted assets of \$22,540 at December 31, 2016. This asset is a parcel of land donated to the Foundation. The temporary restriction will be removed when the property is utilized by the Club in a manner consistent with Club activities.

**NOTE 11: ACCOUNTING FOR ENDOWMENT FUNDS**

The Foundation's endowment consists of five individual investment funds established for the exclusive purpose of operating for the benefit of the Boys and Girls Club of El Dorado. The endowment funds were designated by the Board of Directors. As required by GAAP, net assets associated with the endowment are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted endowment funds represent those funds designated by the Board at the inception of the endowment plus general public contributions and contributions not supported by an endowment.

***Return Objective and Risk Parameters***

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation with the objectives of generating sufficient long-term growth of capital without undue exposure to risk, providing for spending distributions when needed, and enhancing the real purchasing power of the investments.

**NOTE 12: FUNDRAISING ACTIVITIES**

During 2016, the Club incurred \$133,574 in fundraising expenses. These expenditures resulted in donations and revenues for the Club of \$190,594 for a net income from fundraising activities of \$57,020.

**NOTE 13: SUBSEQUENT EVENTS**

The Club evaluated its financial statements for subsequent events through July 25, 2017, the date the financial statements were available to be issued. The Club is not aware of any such events which would require recognition or disclosure in the combined financial statements.

**SUPPLEMENTARY INFORMATION**

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**Combining Statement of Financial Position**  
**December 31, 2016**

	<b>El Dorado Boys &amp; Girls Club, Inc.</b>	<b>Boys &amp; Girls Club Foundation</b>	<b>Combined</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 13,852	79,984	93,836
Grants receivable	300,000	-	300,000
Pledges receivable, net of uncollectible accounts	6,400	-	6,400
Total current assets	<u>320,252</u>	<u>79,984</u>	<u>400,236</u>
<b>Non-current Assets</b>			
Land, buildings and equipment, at cost, net	1,437,338	22,540	1,459,878
Long-term investments, at fair value	102,420	803,396	905,816
Total non-current assets	<u>1,539,758</u>	<u>825,936</u>	<u>2,365,694</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,860,010</u>	<u>905,920</u>	<u>2,765,930</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 7,719	-	7,719
Other liabilities	20,849	-	20,849
Total current liabilities	<u>28,568</u>	<u>-</u>	<u>28,568</u>
<b>Net Position</b>			
Unrestricted	1,651,022	-	1,651,022
Board designated - restricted	105,420	883,380	988,800
Temporarily restricted	-	22,540	22,540
Permanently restricted	75,000	-	75,000
Total net assets	<u>1,831,442</u>	<u>905,920</u>	<u>2,737,362</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,860,010</u>	<u>905,920</u>	<u>2,765,930</u>

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**Combining Statement of Activities**  
**For the Year Ended December 31, 2016**

	<b>El Dorado Boys &amp; Girls Club, Inc.</b>	<b>Boys &amp; Girls Club Foundation</b>	<b>Combined</b>
<b>Support and Revenue</b>			
United Way	\$ 300,000	-	300,000
City of El Dorado	25,000	-	25,000
Grants	241,710	-	241,710
Sponsors	18,719	-	18,719
Contributions and pledges	138,561	1,000	139,561
Program fees and dues	84,417	-	84,417
Special events	190,594	-	190,594
Concessions	17,691	-	17,691
Miscellaneous income	5,337	19	5,356
<b>Total support &amp; revenue</b>	<b>1,022,029</b>	<b>1,019</b>	<b>1,023,048</b>
<b>Operating Expenses</b>			
Program services	822,719	-	822,719
Supporting services:			
Management and general	153,467	430	153,897
Fundraising	133,574	-	133,574
Total supporting services	287,041	430	287,471
Total operating expenses	1,109,760	430	1,110,190
<b>Non-operating activities:</b>			
Dividends	2,990	5,052	8,042
Capital gains distributions	310	1,177	1,487
Realized gains (losses) on investments, net	-	(1,728)	(1,728)
Unrealized gains (losses) on investments, net	6,914	(10,055)	(3,141)
Investment brokerage fees	(125)	(9,338)	(9,463)
Non-operating income (expense), net	10,089	(14,892)	(4,803)
<b>Change in net assets</b>	<b>(77,642)</b>	<b>(14,303)</b>	<b>(91,945)</b>
<b>Transfers, net</b>	<b>12,000</b>	<b>(12,000)</b>	<b>-</b>
<b>Net assets - beginning of year</b>	<b>1,897,084</b>	<b>932,223</b>	<b>2,829,307</b>
<b>Net assets - end of year</b>	<b>\$ 1,831,442</b>	<b>905,920</b>	<b>2,737,362</b>

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**Combining Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

	<b>El Dorado Boys &amp; Girls Club, Inc.</b>	<b>Boys &amp; Girls Club Foundation</b>	<b>Combined</b>
<b>Cash Flows from Operating and Non-Operating Activities</b>			
Change in net assets	\$ (77,642)	(14,303)	(91,945)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	67,887	-	67,887
Realized losses from sale of investments	-	1,728	1,728
Changes in assets and liabilities:			
Increase in grants receivable	-	-	-
Decrease in pledges receivable	25,803	-	25,803
Decrease in other receivables	1,000	-	1,000
Increase in accounts payable	2,520	-	2,520
Increase in other liabilities	8,771	-	8,771
Net cash provided by (used in) operating activities	<u>28,339</u>	<u>(12,575)</u>	<u>15,764</u>
<b>Cash Flows from Investing Activities:</b>			
Investment purchases, sales, and maturities, net	(8,650)	13,239	4,589
Purchases of property and equipment	<u>(40,960)</u>	<u>-</u>	<u>(40,960)</u>
Net cash (used in) provided by investing activities	<u>(49,610)</u>	<u>13,239</u>	<u>(36,371)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(21,271)	664	(20,607)
<b>Transfers, net</b>	12,000	(12,000)	-
<b>Cash and cash equivalents - beginning of year</b>	<u>23,123</u>	<u>91,320</u>	<u>114,443</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 13,852</u>	<u>79,984</u>	<u>93,836</u>

**BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY**  
**Schedule of Governmental Assistance**  
**For the Year Ended December 31, 2016**

**SCHEDULE OF GOVERNMENTAL ASSISTANCE**

**FEDERAL ASSISTANCE**

<b>Federal Grantor/Pass-Through Agency</b>	<b>CFDA #</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Units of Service Provided</b>				
<b><u>U.S. Department of Agriculture</u></b>								
ARRA - TANF	93.716	\$ 20,357	20,357					
Division of Child Care & Early Childhood Education:				<u>Breakfasts</u>	<u>Lunches</u>	<u>Snacks</u>	<u>Suppers</u>	<u>Total</u>
Child and Adult Care Food Program	10.558	107,516	107,516	394	468	-	34,183	35,045
Summer Food Service Program	10.559	64,448	64,448	17,227	30,887	-	-	48,114
		<u>192,321</u>	<u>192,321</u>	<u>17,621</u>	<u>31,355</u>	<u>-</u>	<u>34,183</u>	<u>83,159</u>
<b><u>U.S. Department of Justice</u></b>								
Juvenile Mentoring Program	16.726	11,720	11,720					
<b>TOTAL FEDERAL AWARDS</b>		<u>\$ 204,041</u>	<u>204,041</u>					

**GOVERNMENT COMPLIANCE REPORT**



# PARKS & COMPANY PLC

A PROFESSIONAL LIMITED COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

441 N. WASHINGTON AVE.  
EL DORADO, ARKANSAS 71730  
(870) 862-3401

## INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Boys and Girls Club of El Dorado, Inc. and Related Entity

We have audited, in accordance with the 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, the combined financial statements of the Boys and Girls Club of El Dorado, Inc. and Related Entity ("the Club") (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2017.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Club's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Club's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Club's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Club's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Club's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Parhs + Company PLC*

July 25, 2017