

Combined Audited Financial Statements

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

December 31, 2017

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PARKS & COMPANY PLC

A PROFESSIONAL LIMITED COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

441 NORTH WASHINGTON AVENUE
EL DORADO, AR 71730
(870) 862-3401
FAX (870) 862-0936

MEMBER
AMERICAN INSTITUTE OF CPAS

MEMBER
ARKANSAS SOCIETY OF CPAS

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, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the Club's basic financial statements. The combining financial statements, schedule of governmental assistance and supplemental data sheet on pages 16 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, schedule of governmental assistance and supplemental data sheet 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 8, 2018 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.

A handwritten signature in black ink that reads "Parke & Company PLC". The signature is written in a cursive, flowing style.

August 8, 2018

BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY
Combined Statement of Financial Position
December 31, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 89,060
Pledges receivable - United Way	259,500
Pledges receivable - other	-
Total current assets	<u>348,560</u>

Non-current Assets

Property and equipment, net	1,447,964
Long-term investments	114,923
Endowment funds - Board designated	<u>787,047</u>
Total non-current assets	<u>2,349,934</u>

TOTAL ASSETS

\$ 2,698,494

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 12,495
Other liabilities	<u>21,201</u>
Total current liabilities	<u>33,696</u>

Net Assets

Unrestricted	1,586,123
Unrestricted board designated - endowment	981,135
Temporarily restricted	22,540
Permanently restricted	<u>75,000</u>
Total net assets	<u>2,664,798</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 2,698,494

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
United Way	\$ 259,500	-	-	259,500
City of El Dorado	49,165	-	-	49,165
Grants	223,655	-	-	223,655
Sponsors	15,750	-	-	15,750
Contributions and pledges	157,612	-	-	157,612
Program fees and dues	91,133	-	-	91,133
Special events	77,186	-	-	77,186
Concessions	16,517	-	-	16,517
Miscellaneous income	5,098	-	-	5,098
Total Support & Revenue	<u>895,616</u>	<u>-</u>	<u>-</u>	<u>895,616</u>
Operating Expenses				
Program services	737,049	-	-	737,049
Supporting services:				
Management and general	190,377	-	-	190,377
Fundraising	60,375	-	-	60,375
Total supporting services	<u>250,752</u>	<u>-</u>	<u>-</u>	<u>250,752</u>
Total operating expenses	<u>987,801</u>	<u>-</u>	<u>-</u>	<u>987,801</u>
Non-operating activities:				
Dividend income	21,864	-	-	21,864
Capital gain distributions	624	-	-	624
Net realized gains (losses) on investments	(28,312)	-	-	(28,312)
Net unrealized gains (losses) on investments	33,621	-	-	33,621
Investment brokerage fees	(8,176)	-	-	(8,176)
Non-operating income (expense), net	<u>19,621</u>	<u>-</u>	<u>-</u>	<u>19,621</u>
Change in Net Assets	<u>(72,564)</u>	<u>-</u>	<u>-</u>	<u>(72,564)</u>
Net Assets - Beginning of Year	<u>2,639,822</u>	<u>22,540</u>	<u>75,000</u>	<u>2,737,362</u>
Net Assets - End of Year	<u>\$ 2,567,258</u>	<u>22,540</u>	<u>75,000</u>	<u>2,664,798</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, 2017

	Program Services			Total		Supporting Services		Total	
	Sports, Fitness and Recreation	Educational and Social	Program Services	Management & General	Fundraising	Supporting Services	Total		
Salaries and wages	\$ 233,943	58,486	292,430	65,320	20,975	86,295	378,725		
Payroll taxes	21,940	5,485	27,425	6,126	1,967	8,093	35,518		
Pension and other distributons	8,446	2,111	10,557	2,359	757	3,116	13,673		
Insurance	16,946	4,236	21,182	16,732	1,519	18,251	39,433		
Total compensation & related expenses	281,275	70,319	351,594	90,537	25,218	115,755	467,349		
Concessions	15,345	3,836	19,181	-	-	-	19,181		
Conferences	5,199	1,300	6,499	1,147	-	1,147	7,645		
Depreciation	54,707	13,676	68,383	7,598	-	7,598	75,982		
Dues and memberships	4,993	1,248	6,241	4,202	-	4,202	10,443		
General office operations	-	-	-	46,563	-	46,563	46,563		
Insurance - Property	26,614	6,653	33,267	5,871	-	5,871	39,138		
Maintenance - buildings	11,864	2,966	14,830	2,617	-	2,617	17,447		
Maintenance - fields	1,315	-	1,315	-	-	-	1,315		
Maintenance - other	11,973	2,993	14,966	2,641	-	2,641	17,607		
Postage & shipping	886	223	1,108	196	-	196	1,304		
Professional services	14,460	-	14,460	21,250	494	21,744	36,204		
Program activities:									
Staff and supplies	51,174	6,811	57,985	-	-	-	57,985		
Food	89,327	11,889	101,216	-	-	-	101,216		
Scholarships	-	1,000	1,000	-	-	-	1,000		
Special events	-	1,055	1,055	-	34,662	34,662	35,717		
Telephone	10,817	2,704	13,521	2,386	-	2,386	15,907		
Travel and meals	2,428	607	3,035	536	-	536	3,571		
Utilities	21,914	5,478	27,392	4,834	-	4,834	32,226		
Totals - All expenses	\$ 604,290	132,759	737,049	190,377	60,375	250,752	987,801		

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

BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY
Combined Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating and Non-Operating Activities

Change in net assets	\$ (72,564)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	75,982
Non-cash donation of securities	(10,044)
Unrealized (gain) loss on investments	(33,621)
Realized losses from sale of investments	28,312
Changes in assets and liabilities:	
Decrease in grants receivable	40,500
Decrease in pledges receivable	6,400
Increase in accounts payable	4,776
Decrease in other liabilities	(352)
Net cash provided by (used in) operating activities	<u>39,389</u>

Cash Flows from Investing Activities:

Investment sales and maturities, net	779,743
Investment purchases and dividend reinvestments	(759,839)
Purchase of property and equipment	(64,069)
Net cash provided by (used in) investing activities	<u>(44,165)</u>

Net (decrease) increase in cash and cash equivalents (4,777)

Cash and cash equivalents - beginning of year 93,837

Cash and cash equivalents - end of year \$ 89,060

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, 2017

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, 2017

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, 2017, 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. At December 31, 2017, the Club had no pledges receivable.

BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 a 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, 2017

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, 2017

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.

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).

BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3: FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2017

Short-term investments:

Cash equivalents in money market funds	\$ 66,400
Total short-term investments	<u>66,400</u>

Long-term investments:

Mutual funds	836,780
Equities	<u>65,190</u>
Total long-term investments	<u>901,970</u>
Total investments	<u>\$ 968,370</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, 2017. 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, 2017

NOTE 4: INVESTMENTS (CONTINUED)

The following table summarizes the levels in the fair value hierarchy for the Club's investments at December 31, 2017.

	<u>Club</u>	<u>Foundation</u>	<u>Total</u>	<u>Level 1</u>
Money market funds	\$ 4,433	61,967	66,400	66,400
U.S. common stocks	65,190	-	65,190	65,190
Mutual funds:				
International Large Blend	4,134	99,457	103,591	103,591
Large Cap Growth	5,491	77,701	83,192	83,192
Large Cap Value		101,908	101,908	101,908
Mid Cap Equity		117,629	117,629	117,629
Emerging Market		50,424	50,424	50,424
Global Real Estate		47,537	47,537	47,537
Bonds	40,108	292,391	332,499	332,499
Total equity investments	<u>114,923</u>	<u>787,047</u>	<u>901,970</u>	<u>901,970</u>
	<u>\$ 119,356</u>	<u>849,014</u>	<u>968,370</u>	<u>968,370</u>

At December 31, 2017, the Club did not have any investments measured using level 2 or level 3 inputs. There were no transfers between levels during 2017.

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

Dividends	21,864
Capital gain distributions	624
Realized gains (losses), net	(28,312)
Unrealized gains and losses, net	33,621
Investment brokerage fees	(8,176)
Total investment income (expenses), net	<u>\$ 19,621</u>

Board designated endowment fund activity for the year ended December 31, 2017 is as follows:

Balance, December 31, 2016	\$ 853,054
Dividends	18,949
Interest	21
Unrealized Gains	23,037
Realized losses	(28,027)
Investment Fees	(8,026)
Distributions and expenses	<u>(9,994)</u>
Balance December 31, 2017	<u>\$ 849,014</u>

BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5: LAND, BUILDINGS, AND EQUIPMENT

A summary of land, buildings and equipment as of December 31, 2017 is as follows:

Land	\$ 195,540
Buildings and improvements	2,710,091
Program equipment	241,124
Office equipment & furniture	123,538
Vehicles	<u>28,047</u>
	3,298,341
Less - accumulated depreciation and amortization	<u>1,850,377</u>
Land, buildings and equipment (net)	<u><u>\$ 1,447,964</u></u>

Depreciation expense for the year ended December 31, 2017 was \$75,982.

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, 2017 the Club paid BGCA membership dues totaling \$6,583.

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 \$4,623 to the pension plan during 2017 and \$8,893 of additional contributions for 2017 were accrued at year end.

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 \$259,500.

The pledges receivable from the United Way represent 100% of total receivables at December 31, 2017 and approximately 29% of total revenues for 2017. Management has determined that the entire balance is collectable and does not believe an allowance for uncollectable receivables is necessary.

BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 9: PERMANENTLY RESTRICTED ASSETS

During the year ended December 31, 2017 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.

NOTE 10: TEMPORARILY RESTRICTED ASSETS

The Club had temporarily restricted assets of \$22,540 at December 31, 2017. 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: ENDOWMENT FUNDS

The Foundation's endowment consists of 7 different mutual 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. The Foundation typically transfers income earned by the endowment funds to the Club each year. The Foundation can invade endowment principal if necessary to fund Club activities. Endowment fund activity is detailed in Note 4.

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.

BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 12: FUNDRAISING ACTIVITIES

During 2017, the Club incurred \$35,156 in direct fundraising expenses. These expenditures resulted in donations and revenues for the Club of \$77,186 for a net margin from fundraising activities of \$42,030. Indirect salaries and benefits of \$25,218 were allocated to fundraising activities resulting in net income from fundraising of \$16,812.

NOTE 13: SUBSEQUENT EVENTS

The Club evaluated its financial statements for subsequent events through August 8, 2018, 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, 2017

	El Dorado Boys & Girls Club, Inc.	Boys & Girls Club Foundation	Combined
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 40,348	123,616	163,964
Grants receivable	295,000	-	295,000
Pledges receivable	44,651	-	44,651
Total current assets	<u>379,999</u>	<u>123,616</u>	<u>503,615</u>
Non-current Assets			
Land, buildings and equipment, at cost, net	1,505,630	22,540	1,528,170
Long-term investments, at fair value	20,692	874,124	894,816
Total non-current assets	<u>1,526,322</u>	<u>896,664</u>	<u>2,422,986</u>
TOTAL ASSETS	<u>\$ 1,906,321</u>	<u>1,020,280</u>	<u>2,926,601</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 13,148	-	13,148
Other liabilities	18,065	-	18,065
Total current liabilities	<u>31,213</u>	<u>-</u>	<u>31,213</u>
Net Position			
Unrestricted	1,739,068	-	1,739,068
Temporarily restricted	61,040	1,020,280	1,081,320
Permanently restricted	75,000	-	75,000
Total net assets	<u>1,875,108</u>	<u>1,020,280</u>	<u>2,895,388</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,906,321</u>	<u>1,020,280</u>	<u>2,926,601</u>

BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY
Combining Statement of Financial Position
December 31, 2017

	El Dorado Boys & Girls Club, Inc.	Boys & Girls Club Foundation	Combined
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 9,895	79,165	89,060
Grants receivable	259,500	-	259,500
Pledges receivable, net of uncollectible accounts	-	-	-
Total current assets	<u>269,395</u>	<u>79,165</u>	<u>348,560</u>
Non-current Assets			
Land, buildings and equipment, at cost, net	1,425,424	22,540	1,447,964
Long-term investments, at fair value	114,923		114,923
Endowment funds - Board designated		787,047	787,047
Total non-current assets	<u>1,540,347</u>	<u>809,587</u>	<u>2,349,934</u>
TOTAL ASSETS	<u>\$ 1,809,742</u>	<u>888,752</u>	<u>2,698,494</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 12,495	-	12,495
Other liabilities	21,201	-	21,201
Total current liabilities	<u>33,696</u>	<u>-</u>	<u>33,696</u>
Net Position			
Unrestricted	1,586,123	-	1,586,123
Unrestricted - Board designated	114,923	866,212	981,135
Temporarily restricted	-	22,540	22,540
Permanently restricted	75,000	-	75,000
Total net assets	<u>1,776,046</u>	<u>888,752</u>	<u>2,664,798</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,809,742</u>	<u>888,752</u>	<u>2,698,494</u>

BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY
Combining Statement of Activities
For the Year Ended December 31, 2017

	El Dorado Boys & Girls Club, Inc.	Boys & Girls Club Foundation	Combined
Support and Revenue			
United Way	\$ 259,500	-	259,500
City of El Dorado	49,165	-	49,165
Grants	223,655	-	223,655
Sponsors	15,750	-	15,750
Contributions and pledges	156,762	850	157,612
Program fees and dues	91,133	-	91,133
Special events	77,186	-	77,186
Concessions	16,517	-	16,517
Miscellaneous income	5,098	-	5,098
Total support & revenue	894,766	850	895,616
Operating Expenses			
Program services	737,049	-	737,049
Supporting services:			
Management and general	177,475	12,902	190,377
Fundraising	60,375	-	60,375
Total supporting services	237,850	12,902	250,752
Total operating expenses	974,899	12,902	987,801
Non-operating activities:			
Dividends and interest	2,877	18,987	21,864
Capital gains distributions	624	-	624
Realized gains (losses) on investments, net	(285)	(28,027)	(28,312)
Unrealized gains (losses) on investments, net	10,584	23,037	33,621
Investment management fees	(150)	(8,026)	(8,176)
Non-operating income (expense), net	13,650	5,971	19,621
Change in net assets	(66,483)	(6,081)	(72,564)
Transfers, net	11,087	(11,087)	-
Net assets - beginning of year	1,831,442	905,920	2,737,362
Net assets - end of year	\$ 1,776,046	888,752	2,664,798

BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY
Combining Statement of Cash Flows
For the Year Ended December 31, 2017

	El Dorado Boys & Girls Club, Inc.	Boys & Girls Club Foundation	Combined
Cash Flows from Operating and Non-Operating Activities			
Change in net assets	\$ (66,483)	(6,081)	(72,564)
Adjustments to reconcile change in net assets to net cash provided by operating and non-operating activities:			
Depreciation	75,982	-	75,982
Non-cash donations of securities	(10,044)		(10,044)
Unrealized (gains) losses on investments	(10,584)	(23,037)	(33,621)
Realized (gains) losses from sale of investments	285	28,027	28,312
Changes in assets and liabilities:			
Decrease in grants receivable	40,500	-	40,500
Decrease in pledges receivable	6,400	-	6,400
Increase in accounts payable	4,776	-	4,776
Decrease in other liabilities	(352)	-	(352)
Net cash provided by (used in) operating and non-operating activities	<u>40,480</u>	<u>(1,091)</u>	<u>39,389</u>
Cash Flows from Investing Activities:			
Investment sales and maturities	9,756	769,987	779,743
Investment purchases and dividend reinvestments	(1,211)	(758,628)	(759,839)
Purchases of property and equipment	(64,069)	-	(64,069)
Cash provided by (used in) provided by investing activities	<u>(55,524)</u>	<u>11,359</u>	<u>(44,165)</u>
Net (decrease) increase in cash and cash equivalents	(15,044)	10,268	(4,777)
Transfers, net	11,087	(11,087)	-
Cash and cash equivalents - beginning of year	<u>13,852</u>	<u>79,984</u>	<u>93,837</u>
Cash and cash equivalents - end of year	<u>\$ 9,895</u>	<u>79,165</u>	<u>89,060</u>

SCHEDULE OF GOVERNMENTAL ASSISTANCE

FEDERAL ASSISTANCE

Federal Grantor/Pass-Through Agency	CFDA #	Revenues	Expenditures	Units of Service Provided				
<u>U.S. Department of Agriculture</u>								
ARRA - TANF	93.716	\$ 12,500	12,500					
GIF		12,704	12,704					
Arkansas Hunger Relief		1,000	1,000					
		\$ 26,204	26,204					
Division of Child Care & Early Childhood Education:								
Child and Adult Care Food Program	10.558	96,416	96,416	Breakfasts	Lunches	Snacks	Suppers	Total
Summer Food Service Program	10.559	32,782	32,782	1,210	858	-	27,279	29,347
		129,198	129,198	3,724	5,758	-	670	10,152
				4,934	6,616	-	27,949	39,499
<u>U.S. Department of Justice</u>								
Juvenile Mentoring Program	16.726	7,500	7,500					
TOTAL FEDERAL AWARDS		\$ 162,902	\$ 162,902					

BOYS & GIRLS CLUB OF EL DORADO, INC. AND RELATED ENTITY
Supplemental Data Sheet
December 31, 2017

Entity Full Name: Boys & Girls Club of El Dorado, Inc.

Address: 1201 North West Avenue
El Dorado, AR 71730

EIN: 71-0654748

Phone: (870) 863-8753

Executive Director: David Lee

Contact Person: David Lee

Cost of Audit: \$8,000

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, 2017, 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 August 8, 2018.

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.

A handwritten signature in black ink that reads "PwC + Company PLC". The signature is written in a cursive, flowing style.

August 8, 2018