

BOYS & GIRLS CLUBS OF LANIER, INC.

GAINESVILLE, GEORGIA



**BOYS & GIRLS CLUBS
OF LANIER**

DRAFT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

December 31, 2017 and 2016

BOYS & GIRLS CLUBS OF LANIER, INC.

GAINESVILLE, GEORGIA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys & Girls Clubs of Lanier, Inc.
Gainesville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the Boys & Girls Clubs of Lanier, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, statements of functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Boys & Girls Clubs of Lanier, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2018, on our consideration of Boys & Girls Clubs of Lanier, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys & Girls Clubs of Lanier, Inc.'s internal control over financial reporting and compliance.

Alexander, Almand and Bangs, LLP
Gainesville, Georgia
March 2, 2018

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BOYS AND GIRLS CLUBS OF LANIER, INC.
STATEMENTS OF FINANCIAL POSITION

| | | For The Years Ended December 31, | |
|-------------------------------------|--|-------------------------------------|--------------|
| | | 2017 | 2016 |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash, unrestricted | | \$ 358,019 | \$ 274,964 |
| Cash, unrestricted board designated | | 91,316 | 248,491 |
| Cash, temporarily restricted | | 109,479 | - |
| Unconditional promises to give, net | | 148,685 | 90,526 |
| Grants receivable | | 257,241 | 323,086 |
| Prepaid insurance | | 5,037 | 4,781 |
| Total current assets | | 969,777 | 941,848 |
| NON-CURRENT ASSETS | | | |
| Property and equipment | | 4,059,263 | 4,162,595 |
| Less: accumulated depreciation | | 1,488,778 | 1,469,928 |
| Total property and equipment, net | | 2,570,485 | 2,692,667 |
| Investments | | 223,902 | 194,938 |
| Total non-current assets | | 2,794,387 | 2,887,605 |
| TOTAL ASSETS | | \$ 3,764,164 | \$ 3,829,453 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | | \$ 62,134 | \$ 27,379 |
| Accrued expenses | | 15,627 | 14,329 |
| Total current liabilities | | 77,761 | 41,708 |
| NET ASSETS | | | |
| Unrestricted | | 3,091,706 | 3,297,765 |
| Unrestricted - board designated | | 315,218 | 443,429 |
| Total unrestricted net assets | | 3,406,924 | 3,741,194 |
| Temporarily restricted | | 279,479 | 46,551 |
| Total net assets | | 3,686,403 | 3,787,745 |
| TOTAL LIABILITIES AND NET ASSETS | | \$ 3,764,164 | \$ 3,829,453 |

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF LANIER, INC.
STATEMENTS OF ACTIVITIES

| | For the Year Ended December 31, 2017 | | | For the Year Ended December 31, 2016 | | |
|--|--------------------------------------|---------------------------|---------------------|--------------------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| REVENUES, GAINS AND OTHER SUPPORT | | | | | | |
| Support, other than special events: | | | | | | |
| Contributions | \$ 159,227 | \$ 9,479 | \$ 168,706 | \$ 242,829 | \$ 5,000 | \$ 247,829 |
| Grants, contracts and foundations | 2,256,159 | 150,000 | 2,406,159 | 1,914,757 | 86,171 | 2,000,928 |
| Total support other than special events | <u>2,415,386</u> | <u>159,479</u> | <u>2,574,865</u> | <u>2,157,586</u> | <u>91,171</u> | <u>2,248,757</u> |
| Special events: | | | | | | |
| Special event revenue | 340,581 | 100,000 | 440,581 | 429,728 | - | 429,728 |
| Direct benefits to donors | (35,206) | - | (35,206) | (30,372) | - | (30,372) |
| Net support from special events | <u>305,375</u> | <u>100,000</u> | <u>405,375</u> | <u>399,356</u> | <u>-</u> | <u>399,356</u> |
| Membership dues and league program fees | 163,389 | - | 163,389 | 87,805 | - | 87,805 |
| Interest and dividend income | 4,045 | - | 4,045 | 2,827 | - | 2,827 |
| Net gain (loss) on investments | 27,380 | - | 27,380 | 5,663 | - | 5,663 |
| Other income | 14,726 | - | 14,726 | 9,728 | - | 9,728 |
| Donations in kind | 293,097 | - | 293,097 | 198,255 | - | 198,255 |
| Total revenues, gains and other support | <u>3,223,398</u> | <u>259,479</u> | <u>3,482,877</u> | <u>2,861,220</u> | <u>91,171</u> | <u>2,952,391</u> |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of Donor Restrictions | 26,551 | (26,551) | - | 104,270 | (104,270) | - |
| Total revenues, gains and other support | <u>3,249,949</u> | <u>232,928</u> | <u>3,482,877</u> | <u>2,965,490</u> | <u>(13,099)</u> | <u>2,952,391</u> |
| EXPENSES | | | | | | |
| Program services | 2,987,405 | - | 2,987,405 | 2,448,077 | - | 2,448,077 |
| Management and general | 358,279 | - | 358,279 | 326,817 | - | 326,817 |
| Fundraising | 238,535 | - | 238,535 | 174,365 | - | 174,365 |
| Total expenses | <u>3,584,219</u> | <u>-</u> | <u>3,584,219</u> | <u>2,949,259</u> | <u>-</u> | <u>2,949,259</u> |
| INCREASE (DECREASE) NET ASSETS | (334,270) | 232,928 | (101,342) | 16,231 | (13,099) | 3,132 |
| NET ASSETS, beginning of year | <u>3,741,194</u> | <u>46,551</u> | <u>3,787,745</u> | <u>3,724,963</u> | <u>59,650</u> | <u>3,784,613</u> |
| NET ASSETS, end of year | <u>\$ 3,406,924</u> | <u>\$ 279,479</u> | <u>\$ 3,686,403</u> | <u>\$ 3,741,194</u> | <u>\$ 46,551</u> | <u>\$ 3,787,745</u> |

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF LANIER, INC.
STATEMENTS OF CASH FLOWS

| | For The Year Ended December 31, | |
|---|------------------------------------|------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (101,342) | \$ 3,132 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 124,912 | 124,697 |
| Net unrealized and realized (gains) loss on investments | (28,964) | (6,142) |
| Change in assets and liabilities: | | |
| (Increase) / decrease in: | | |
| Unconditional promises to give | (58,159) | 10,884 |
| Grants receivable | 65,845 | (61,440) |
| Prepaid insurance | (256) | 844 |
| Increase / (decrease) in: | | |
| Accounts payable | 34,755 | (49,384) |
| Accrued expenses | 1,298 | 3,291 |
| | 38,089 | 25,882 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (2,730) | (40,580) |
| | (2,730) | (40,580) |
| Net increase (decrease) in cash and cash equivalents | 35,359 | (14,698) |
| CASH AND CASH EQUIVALENTS, beginning of year | 523,455 | 538,153 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 558,814 | \$ 523,455 |
| Cash, unrestricted | \$ 358,019 | \$ 274,964 |
| Cash, unrestricted board designated | 91,316 | 248,491 |
| Cash, temporarily restricted | 109,479 | - |
| | \$ 558,814 | \$ 523,455 |

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF LANIER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

| | Program Services | | | Management & General | Fundraising | Totals |
|---------------------------|----------------------------|------------------------|----------------------------|--------------------------|--------------------------|----------------------------|
| | Hall County Program | Hall County Sports | Total Program | | | |
| Advertising | \$ 2,540 | \$ - | \$ 2,540 | \$ - | \$ 19,510 | \$ 22,050 |
| Bad debts and write offs | - | - | - | 12,290 | - | 12,290 |
| Conferences and training | 19,320 | - | 19,320 | 18,274 | - | 37,594 |
| Dues and subscriptions | - | - | - | 24,222 | - | 24,222 |
| Employee expense | 56,099 | - | 56,099 | 27,485 | 20,635 | 104,219 |
| Event expenses | - | - | - | - | 59,528 | 59,528 |
| Insurance | 25,738 | - | 25,738 | 17,546 | 11,767 | 55,051 |
| League program expenses | - | 9,888 | 9,888 | - | - | 9,888 |
| Maintenance | 38,705 | - | 38,705 | 7,690 | - | 46,395 |
| Miscellaneous expense | - | - | - | 917 | - | 917 |
| Office supplies | 10,732 | - | 10,732 | 10,848 | - | 21,580 |
| Payroll taxes | 114,066 | - | 114,066 | 12,760 | 9,647 | 136,473 |
| Postage | - | - | - | 3,872 | 3,739 | 7,611 |
| Printing and publication | 6,831 | - | 6,831 | 2,612 | 2,316 | 11,759 |
| Professional fees | 377,842 | - | 377,842 | 57,695 | 34,390 | 469,927 |
| Program supplies | 187,948 | - | 187,948 | 3,168 | 1,971 | 193,087 |
| Retirement | 22,194 | - | 22,194 | 2,238 | 1,692 | 26,124 |
| Salaries and wages | 1,423,680 | - | 1,423,680 | 143,561 | 108,546 | 1,675,787 |
| Telephone | 14,285 | - | 14,285 | - | - | 14,285 |
| Travel expense | 185,966 | - | 185,966 | 13,101 | - | 199,067 |
| Utilities | 73,562 | - | 73,562 | - | - | 73,562 |
| Depreciation | 124,912 | - | 124,912 | - | - | 124,912 |
| Donations in kind | 293,097 | - | 293,097 | - | - | 293,097 |
| TOTAL EXPENSES | <u>\$ 2,977,517</u> | <u>\$ 9,888</u> | <u>\$ 2,987,405</u> | <u>\$ 358,279</u> | \$ 273,741 | \$ 3,619,425 |
| Direct benefits to donors | | | | | <u>(35,206)</u> | <u>(35,206)</u> |
| | | | | | <u>\$ 238,535</u> | <u>\$ 3,584,219</u> |

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF LANIER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

| | Program Services | | | Management & General | Fundraising | Totals |
|---------------------------|----------------------------|------------------------|----------------------------|--------------------------|--------------------------|----------------------------|
| | Hall County Program | Hall County Sports | Total Program | | | |
| Advertising | \$ - | \$ - | \$ - | \$ - | \$ 4,483 | \$ 4,483 |
| Bad debts and write offs | - | - | - | 3,635 | - | 3,635 |
| Bank fees | - | - | - | 6,742 | - | 6,742 |
| Conferences and training | 14,021 | - | 14,021 | 13,023 | - | 27,044 |
| Dues and subscriptions | - | - | - | 28,593 | - | 28,593 |
| Employee expense | 56,354 | - | 56,354 | 19,573 | 12,320 | 88,247 |
| Event expenses | - | - | - | - | 60,369 | 60,369 |
| Insurance | 20,277 | - | 20,277 | 32,318 | 10,637 | 63,232 |
| League program expenses | - | 6,940 | 6,940 | - | - | 6,940 |
| Maintenance | 34,478 | - | 34,478 | 3,864 | - | 38,342 |
| Miscellaneous expense | - | - | - | 257 | - | 257 |
| Office supplies | 7,556 | - | 7,556 | 16,953 | - | 24,509 |
| Payroll taxes | 72,884 | - | 72,884 | 12,275 | 7,891 | 93,050 |
| Postage | - | - | - | 3,337 | 2,001 | 5,338 |
| Printing and publication | - | - | - | 388 | 9,933 | 10,321 |
| Professional fees | 614,105 | - | 614,105 | 33,130 | 7,653 | 654,888 |
| Program supplies | 101,542 | - | 101,542 | - | 367 | 101,909 |
| Retirement | 14,953 | - | 14,953 | 6,491 | 4,172 | 25,616 |
| Salaries and wages | 949,430 | - | 949,430 | 129,762 | 84,911 | 1,164,103 |
| Telephone | 12,538 | - | 12,538 | 1,537 | - | 14,075 |
| Travel expense | 150,314 | - | 150,314 | 14,939 | - | 165,253 |
| Utilities | 69,733 | - | 69,733 | - | - | 69,733 |
| Depreciation | 124,697 | - | 124,697 | - | - | 124,697 |
| Donations in kind | 198,255 | - | 198,255 | - | - | 198,255 |
| TOTAL EXPENSES | <u>\$ 2,441,137</u> | <u>\$ 6,940</u> | <u>\$ 2,448,077</u> | <u>\$ 326,817</u> | \$ 204,737 | \$ 2,979,631 |
| Direct benefits to donors | | | | | <u>(30,372)</u> | <u>(30,372)</u> |
| | | | | | <u>\$ 174,365</u> | <u>\$ 2,949,259</u> |

The accompanying notes are an integral part of these statements.

BOYS & GIRLS CLUBS OF LANIER, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 1 – NATURE OF THE ORGANIZATION

The Boys & Girls Clubs of Lanier, Inc. (the "Organization"), was originally founded in 1954 with humble beginnings, but has become a tremendous resource for area youth over the years. Early leaders saw the need for a fun and safe place for children and quickly began laying the foundations to meet that need. In the 63 years of operation, the Organization has grown from a single Boys Club to twelve sites of the Boys & Girls Clubs in Hall County and surrounding areas, successfully serving nearly 800 children ages 5-18 daily. In addition, the Boys & Girls Clubs of Lanier, Inc., has recently been recognized as one of the top three Boys & Girls Clubs within the State of Georgia. The Organization operates as a community based, not-for-profit tax exempt 501(c)(3) organization.

The Organization serves children by fulfilling its mission: to inspire and enable all young people, especially those that need us most, to realize their full potential as productive, responsible and caring citizens. The Organization believes that every child, no matter how challenging their life circumstances may be, deserves a chance to be great. In addition, the Organization strives to provide a world class club experience that assures success is within reach of every young person who enters the doors, with all members on tract to graduate from high school with a plan for the future, demonstrating good character and citizenship, and living a healthy lifestyle. The five key elements the Boys & Girls Clubs of Lanier, Inc., uses to accomplish this are:

A safe, positive environment: The Club is a safe haven where members feel physically and emotionally secure at all times;

Fun: The Club facility, staff and program offerings create a welcoming, positive environment that allows members to engage in play, enjoy their play time and be happy and eager to come to the club;

Supportive relationships: The club ensures that every young person feels connected to one or more adults and has friendships with peers;

Opportunities and expectations: Club staff and programs consistently communicate the expectation that every child has the potential to excel, be productive and succeed at the Club and in life;

Recognition: The Club takes every opportunity to recognize and validate club members' achievements and accomplishments.

Note 2 – SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with principles generally accepted in the United States of America. The accrual basis of accounting allows for revenues to be recognized when earned and expenses to be recognized when goods or services are received, without regard to the receipt or payment of cash. Under the accrual basis of accounting, the statements reflect all significant accounts receivable, accounts payable and other accruals.

Financial Statement Presentation

Accounting standards require the Organization to report information regarding its financial position and activities by net asset class. In order to ensure the observance of restrictions placed on the use of resources, the accounts of the Organization are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and the changes therein are classified and reported as follows:

Unrestricted Net Assets have no donor-imposed restrictions, and are fully available at the discretion of the Organization's management and board of directors to utilize in any of its programs or supporting services.

Temporarily Restricted Net Assets are subject to donor-imposed restrictions that will be met by actions of the Organization and/or the passage of time.

BOYS & GIRLS CLUBS OF LANIER, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 2 – SUMMARY OF ACCOUNTING POLICIES (CONT'D)

Financial Statement Presentation (Cont'd)

Permanently Restricted Net Assets have donor-imposed restrictions which do not expire.

Restriction Met or Time Expires

When a donor restriction is met or otherwise expires by passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction. Restrictions on permanently restricted net assets do not expire and therefore cannot be released.

Cash and Cash Equivalents

The Organization considers cash and cash equivalents to include amounts on deposit in banks and highly liquid investments with an initial maturity of three months or less when acquired. Restricted cash consists of funds from donors or grants in separate accounts to be used for capital expenditures, improvements or to fund various programs of the Organization as specified by certain grants and contracts.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes. There was no unrelated business income for the years ending December 31, 2017 or 2016. Management has considered uncertain tax positions and believes there are no unrecognized tax benefits or obligations in the open tax years.

Property and Equipment

Property and equipment are carried at cost. The general capitalization policy for the Organization is to capitalize assets with a useful life that is greater than three years and the cost at the date of acquisition is greater than \$ 2,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is expensed in the period incurred and therefore is not capitalized. Depreciation is computed using the straight line method over the following estimated useful lives of the assets:

| | | |
|----------------------------|---------|-------|
| Buildings and Improvements | 15 - 40 | years |
| Equipment | 3 - 40 | years |
| Furniture and Fixtures | 5 - 10 | years |
| Vehicles | 5 - 10 | years |

Recognition of Donated Support

Non-cash donation of assets, property and equipment, are recorded as contributions at estimated fair market value at the date of donation. These donations are reported as increases in unrestricted net assets, unless donor-imposed restrictions apply. If donor-imposed restrictions apply, donated assets, property and equipment are reported as increases in net assets relative to the contribution restriction. Donated assets are released from restriction on the Statement of Activities as net assets released from restriction, with either the passage of time or satisfaction of the donor-imposed conditions. No non-cash donations of property and equipment were received during the fiscal years 2017 or 2016.

Cash and cash equivalent contributions are reported as an increase in net assets on the Statement of Activities as revenues. Contributions are considered unrestricted, unless the donor imposes a condition with the contribution. If a restriction applies, it is reported as temporarily or permanently restricted based on conditions stated. When conditions are met or otherwise expire by the passage of time, temporarily restricted contributions are released to unrestricted net assets. Permanently restricted net assets may not be released because the restrictions do not expire.

BOYS & GIRLS CLUBS OF LANIER, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 2 – SUMMARY OF ACCOUNTING POLICIES (CONT'D)

Recognition of Grant and Program Revenues

Program fees are recorded as earned. The Organization receives grant revenue primarily from federal and state agencies as well as other local grantors. Grant revenue is recorded when awarded or available by meeting certain requirements, as stated in the terms of the grant contract. Recognition is determined on a grant by grant basis.

Promises to Give

Promises to give (contributions) are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as an increase in either temporarily restricted net assets or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires on a temporarily restricted net asset, it is reclassified to an unrestricted net asset.

Contributions that are due in more than one year are reflected as long-term contributions and are recorded at the present value of their estimated future cash flows, using risk free interest rates applicable to the years in which the promises are received to discount the amounts.

Contributions of donated services (in-kind donations) are recorded at fair value in the period received.

Advertising Expense

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

Expenses are reported as decreases in unrestricted net assets whether incurred to satisfy a donor's restriction or not. The costs of programs, management and special events are presented in summary in the Statement of Activities and in more detail on the Statement of Functional Expenses.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year and prior year presentation.

Estimates

In preparing the financial statement in conformity with accounting principles generally accepted in the United States of America, the Organization is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates and assumptions include the depreciation of fixed assets and the allowance for uncollectible contributions receivable.

Investments

The Organization has adopted FASB ASC No. 958-320, Accounting for Certain Investments Held by Not-For-Profit Organizations. Under FASB ASC No. 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Net realized and unrealized gains/losses on investments are reflected on the Statement of Activities.

BOYS & GIRLS CLUBS OF LANIER, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 3 – CASH FLOW INFORMATION

In-kind donations received for supplies, club locations and services totaled \$ 293,097 and \$ 198,255 for the years ending December 31, 2017 and 2016, respectively. To reflect the cost associated with the in-kind donations, in-kind expenses are included in program service expense on the Statement of Functional Expenses. The Organization incurred no interest payments or non-cash financing transactions for the year.

Cash and cash equivalents in the amounts of \$ 91,316 and \$ 248,491 as of December 31, 2017 and 2016, respectively, are all considered unrestricted but designated for specific programs by the board of directors. As of December 31, 2017, there was \$ 109,479 temporarily restricted by donors to fund programs for the 2018 fiscal year. There were no donor restricted cash funds as of December 31, 2016.

Note 4 – INVESTMENTS

The organization applies Accounting Standards Codification (ASC) Number 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets. The framework established by ASC No. 820, estimates the fair value of the financial assets based on three levels of valuation. The investment assets of the Boys & Girls Clubs of Lanier are all measured at Level I of the fair value measurement framework. Level I valuations are based on unadjusted market prices for identical assets or liabilities in accessible and active markets. As of December 31, the Level I investments for the Boys & Girls Clubs of Lanier consisted of the following:

| | 2017 | 2016 |
|-------------------------------------|------------|------------|
| Cash value of life insurance policy | \$ 14,045 | \$ 13,559 |
| Board designated endowment | 209,857 | 181,379 |
| Total investments | \$ 223,902 | \$ 194,938 |

The investments are board designated and therefore considered unrestricted and included in unrestricted net assets on the Statement of Financial Position. In addition, any realized and unrealized gains or losses and dividends or interest, are included in the Statement of Activities as increases or decreases in unrestricted net assets.

Note 5 – BOARD DESIGNATED ENDOWMENT INVESTMENT

In 2011, a board designated endowment fund resolution was completed with the North Georgia Community Foundation. The Community Foundation’s purpose is intended to provide an additional level of care and skill which assists in the appreciation of the funds that they manage. In addition, the Community Foundation provides accountability toward the use of any assets disbursed from the endowment investment.

Distributions from the endowment fund shall be spent only for the following purposes: general operations, program expenses, capital expenditures, or any other projects deemed appropriate by the Boys & Girls Clubs of Lanier as set out in its articles of incorporation.

All requests for distributions from the endowment fund shall be requested by both the Chief Professional Officer and the President of the Boys & Girls Clubs of Lanier, only after prior approval of the board of directors. Distributions in excess of the determined spending amount that will invade the fund’s corpus must be approved by a majority vote of a quorum of the board of directors of the Boys & Girls Clubs of Lanier, Inc. In addition, the Boys & Girls Clubs of Lanier interprets and follows the applicable laws and regulations that accompany endowment funds.

The finance committee of the Boys & Girls Clubs of Lanier, Inc. shall monitor the performance of the endowment fund on a quarterly basis, and the chairperson of the finance committee shall present a report at least annually to the Boys & Girls Clubs of Lanier’s board. These guidelines may be ratified or amended at any time by a 70% vote of a quorum of the board of directors.

BOYS & GIRLS CLUBS OF LANIER, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 5 – BOARD DESIGNATED ENDOWMENT INVESTMENT (CONT'D)

The Organization did not authorize any disbursements from, receive any contributions or transfer any funds toward the endowment investment during the years ending December 31, 2017 or 2016. Changes in the unrestricted endowment investment consisted of the following as of December 31:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Endowment investment, beginning of year | \$ 181,379 | \$ 175,735 |
| Investment return: | | |
| Interest and dividend income | 3,674 | 2,385 |
| Net realized and unrealized gains | <u>26,895</u> | <u>5,165</u> |
| Total investment return | 30,569 | 7,550 |
| Fee disbursement | <u>2,091</u> | <u>1,906</u> |
| Endowment investment, end of year | <u>\$ 209,857</u> | <u>\$ 181,379</u> |

Note 6 – UNCONDITIONAL PROMISES TO GIVE AND GRANTS RECEIVABLE

Unconditional promises to give due in less than one year are as follows:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|-------------------|------------------|
| United Way | \$ 40,000 | \$ 46,551 |
| Futures 4 Kids | 102,500 | 38,000 |
| Other contributions | 7,100 | 5,975 |
| Allowance for uncollectible promises | (915) | - |
| Net unconditional promises to give | <u>\$ 148,685</u> | <u>\$ 90,526</u> |

Grants receivable consist of the following:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| 21st Century Community Learning Centers | \$ 156,632 | \$ 220,630 |
| Georgia Alliance of Boys & Girls Clubs | 56,875 | 78,797 |
| OJP Mentoring | 8,805 | 7,842 |
| CACFP | - | 9,817 |
| Boys & Girls Clubs of America | <u>34,929</u> | <u>6,000</u> |
| Total | <u>\$ 257,241</u> | <u>\$ 323,086</u> |

All grants receivable are expected to be collected in the next 12 months.

BOYS & GIRLS CLUBS OF LANIER, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 7 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31:

| | 2017 | 2016 |
|------------------------------|--------------|--------------|
| Land and improvements | \$ 603,820 | \$ 612,447 |
| Buildings and improvements | 2,975,442 | 2,972,713 |
| Equipment | 295,708 | 362,144 |
| Furniture and fixtures | 65,528 | 79,491 |
| Vehicles | 118,765 | 135,800 |
| Total | 4,059,263 | 4,162,595 |
| Accumulated depreciation | (1,488,778) | (1,469,928) |
| Total property and equipment | \$ 2,570,485 | \$ 2,692,667 |

Depreciation expense was \$ 124,912 for 2017 and \$ 124,697 for 2016.

Note 8 – BASIC PROGRAMS

The main programs of the Organization are to maintain and operate a facility for boys and girls between the ages of 6 and 18. These programs have a positive impact on our entire community. The mission of the Clubs is to give all young people, especially those who need us most, the opportunities and skills they need to become productive, caring and responsible adults. The Clubs address the most critical issues facing our youth by providing programming targeted toward the following outcomes: *Academic Success, Good Character and Citizenship, and Healthy Lifestyles.*

Note 9 – SIGNIFICANT CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents in several financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures the balances in interest-bearing accounts up to \$ 250,000 per institution. As of December 31, 2017 and 2016, the Organization's uninsured cash balances accounts totaled \$ 77,339 and \$ -0- respectively.

Note 10 – COMPENSATED ABSENCES

Full-time employees accumulate sick leave at the rate of ½ day per month and vacation time based on length of service. However, accrued and unused sick and vacation time may not be carried over to the subsequent year without prior approval from the Chief Professional Officer and may not be paid upon separation of employment. Therefore, the Boys & Girls Clubs of Lanier, Inc., does not accrue any compensated absences.

Note 11 – SPECIAL EVENTS

The following special events were held and earned the respective revenues for the years ending December 31:

| | 2017 | 2016 |
|-----------------------------|------------|------------|
| Duck Derby | \$ 154,366 | \$ 151,780 |
| Futures 4 Kids Ga;a | 231,275 | 232,033 |
| Holiday Golf Event | 54,940 | 45,915 |
| Total special event revenue | \$ 440,581 | \$ 429,728 |

BOYS & GIRLS CLUBS OF LANIER, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 12 – GRANTS, CONTRACTS AND FOUNDATIONS

Grants and contracts received for the current year are included in unrestricted net assets and temporarily restricted net assets. Some of the grants will remain in temporarily restricted net assets until released from restrictions by use of the funds for specified purposes or time.

Below is a schedule of revenue earned from grants, contracts, and foundations:

| | 2017 | 2016 |
|--|--------------|--------------|
| United Way - General | \$ 120,000 | \$ 139,646 |
| Georgia Alliance - Boys & Girls Clubs of America | 328,926 | 329,388 |
| 21st Century Grant | 1,701,112 | 1,327,928 |
| Falcons Fitness Zone | 100,000 | 100,000 |
| Boys & Girls Clubs of America - Various Grants | 58,970 | 21,217 |
| CACFP | 22,101 | 16,422 |
| OJP Mentoring | 33,200 | 30,787 |
| Other General Grants | 41,850 | 35,540 |
| | \$ 2,406,159 | \$ 2,000,928 |

Note 13 – EMPLOYEE RETIREMENT PLAN

The Organization is a participant in the retirement plan of the Boys & Girls Clubs of America. The plan is employer funded. The Boys & Girls Clubs of Lanier, Inc., contributes 4% of each eligible employee's salary for the prior year to the plan. Employer contributions for 2017 and 2016 were \$ 26,124 and \$ 25,616, respectively.

Note 14 – CONCENTRATIONS

At December 31, 2017, 58% of the Organization's revenue came from two granting agencies (21st Century and Georgia Alliance) and 14% of the Organization's revenue came from the Duck Derby and Futures 4 Kids special events held during the year. At December 31, 2016, 56% of the Organization's revenue came from two granting agencies (21st Century and Georgia Alliance) and 15% of the Organization's revenue came from the Duck Derby and Futures 4 Kids special events.

Note 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 2, 2018, the date the financial statements were available to be issued.

SINGLE AUDIT REPORTING PACKAGE
of
BOYS & GIRLS CLUBS OF LANIER, INC.

P.O. Box 691

Gainesville, GA 30503

FEIN 58-0656890

FOR THE YEAR ENDED

December 31, 2017

DRAFT

BOYS & GIRLS CLUBS OF LANIER, INC

GAINESVILLE, GEORGIA

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INDEPENDENT AUDITOR'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 & Girls Clubs of Lanier, Inc.
Gainesville, Georgia

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 financial statements of the Boys & Girls Clubs of Lanier, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and the related statement 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 March 2, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Boys & Girls Clubs of Lanier, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Boys & Girls Clubs of Lanier, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 audit 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 Boys & Girls Clubs of Lanier, Inc.'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 *Government 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 Boys & Girls Clubs of Lanier, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander, Almand and Bangs, LLP
Gainesville, Georgia
March 2, 2018

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Boys & Girls Clubs of Lanier, Inc.
Gainesville, Georgia

Report on Compliance for Each Major Federal Program

We have audited the Boys & Girls Clubs of Lanier, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Boys & Girls Clubs of Lanier, Inc.'s major federal programs for the year ended December 31, 2017. The Boys & Girls Clubs of Lanier, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Boys & Girls Clubs of Lanier, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Boys & Girls Clubs of Lanier's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Boys & Girls Clubs of Lanier, Inc.'s compliance.

Opinion on Each Major Program

In our opinion, the Boys & Girls Clubs of Lanier, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Boys & Girls Clubs of Lanier, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Boys & Girls Clubs of Lanier, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the Boys & Girls Clubs of Lanier, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Alexander, Almand and Bangs, LLP
Gainesville, Georgia
March 2, 2018

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BOYS AND GIRLS CLUBS OF LANIER, INC.
Schedule of Expenditures of Federal Awards
For The Year Ended December 31, 2017

| Federal Grantor/Pass-Through Grantor/Program Title | Grantors and Pass-Through Grants' Number | CFDA Number | Federal Amount Expended |
|--|---|-------------|----------------------------|
| Department of Education | | | |
| 21st Century Community Learning Centers Program | PP1 21st CCLC Grant 16/17-454-0000-7 | 84.287 | \$ 354,974 |
| 21st Century Community Learning Centers Program | Fair St. 21st CCLC Grant 16/17-454-0000-3 | 84.287 | 337,494 |
| 21st Century Community Learning Centers Program | PP2 21st CCLC Grant 16/17-454-0000-4 | 84.287 | 311,746 |
| 21st Century Community Learning Centers Program | Teen 21st CCLC Grant 16/17-454-0000-5 | 84.287 | 264,431 |
| 21st Century Community Learning Centers Program | Walters 21st CCLC Grant 16/17-454-0000-6 | 84.287 | 369,414 |
| 21st Century Community Learning Centers Program | Tadmore 21st CCLC Grant 17-454-0000-8 | 84.287 | <u>63,053</u> |
| | | | <u>1,701,112</u> (1) |
| Department of Health & Human Services | | | |
| Passed through Georgia Alliance of Boys & Girls Club, Inc. | | | |
| Dept. of Human Services, State of GA Grant YEP | 42700-040-0000053748 | 93.558 | 5,706 |
| Dept. of Human Services, State of GA Grant 2017-2018 | 42700-040-0000065032 | 93.558 | 79,022 |
| Dept. of Human Services, State of GA Grant 2016-2017 | 42700-040-0000053748 | 93.558 | <u>244,198</u> |
| | | | <u>328,926</u> (2) |
| Department of Agriculture | | | |
| Child and Adult Care Food Program | Unavailable | 10.558 | <u>22,101</u> (3) |
| Department of Justice | | | |
| Passed through Boys and Girls Clubs of America | | | |
| Mentoring in Underserved Communities | OJP 2016-40640 | 16.726 | 7,000 |
| Mentoring in Underserved Communities | OJP 2016-40641 | 16.726 | 8,000 |
| Mentoring in Underserved Communities | OJP 2016-40642 | 16.726 | 9,000 |
| Mentoring in Underserved Communities | OJP 2016-40643 | 16.726 | <u>9,200</u> |
| | | | <u>33,200</u> (4) |
| | | | <u>\$ 2,085,339</u> |

- (1) This amount represents the amount of expenditures submitted and approved by the United States Department of Education.
- (2) This amount represents the grant payment requests submitted and approved by the Georgia Alliance of Boys & Girls Club, Inc.
- (3) This amount represents the grant payment requests submitted and approved by the United States Department of Agriculture.
- (4) This amount represents the amount of expenditures submitted and approved by the Boys & Girls Clubs of America.

BOYS & GIRLS CLUBS OF LANIER, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Boys & Girls Clubs of Lanier, Inc., (the “Organization”) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected position of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Boys & Girls Clubs of Lanier, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST

Boys & Girls Clubs of Lanier, Inc. has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

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BOYS & GIRLS CLUBS OF LANIER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2017

SECTION I – SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Boys & Girls Clubs of Lanier, Inc.
2. The audit found no significant deficiencies in the design or operation of internal control over financial reporting that we consider a reportable condition.
3. The audit found no instances of non-compliance which are material to the financial statements of the Boys & Girls Clubs of Lanier, Inc.
4. The audit disclosed no reportable conditions required to be reported under the Uniform Guidance.
5. The auditors' report expresses an unmodified opinion on compliance for major programs of the Boys & Girls Clubs of Lanier, Inc.
6. The program identified and tested as major federal programs in accordance with the Uniform Guidance:

| | |
|---|---------------|
| 21 st Century Community Learning Centers | CFDA # 84.287 |
|---|---------------|
7. The threshold used to distinguish between Type A and Type B programs was \$ 750,000.
8. The Boys & Girls Clubs of Lanier, Inc. did qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT (GAGAS):

There were no findings related to the financial statement audit.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AUDIT

There were no findings and questioned costs related to the major federal programs.