



BOYS & GIRLS CLUBS
OF SOUTHEASTERN MICHIGAN

(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

December 31, 2018 and 2017

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

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INDEPENDENT AUDITOR'S REPORT

October 18, 2019

To the Board of Directors
Boys & Girls Clubs of Southeastern Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Boys & Girls Clubs of Southeastern Michigan ("B&GCSM," a Michigan non-profit Corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, as well as the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 B&GCSM'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 B&GCSM's internal control. Accordingly, we express no such opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility (continued)

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.

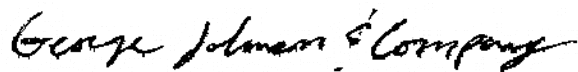
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of B&GCSM as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncements

As discussed in Note A, effective January 1, 2018, B&CGSM has adopted the disclosure provisions contained in Accounting Standards Update 2016-14, *Presentation of Financial Statements in Not-for-Profit Entities*.



CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,056,685	\$ 180,301
Contributions receivable — current portion (no allowance considered necessary) (Note A)	218,134	150,000
Accrued interest receivable	2,501	2,397
Prepaid expenses	23,345	11,073
	<u>1,300,665</u>	<u>343,771</u>
Total Current Assets		
Other Assets:		
Contributions receivable (net of current portion) (no allowance considered necessary) (Note A)	-0-	175,000
Investments (Note D)	1,116,879	1,233,294
Fixed assets (net of accumulated depreciation) (Note E)	5,169,391	6,379,185
	<u>6,286,270</u>	<u>7,787,479</u>
Total Other Assets		
	<u>\$ 7,586,935</u>	<u>\$ 8,131,250</u>
Total Assets		

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 195,066	\$ 220,117
Accrued pension (Note I)	9,243	47,882
Deferred revenue	10,224	-0-
Notes payable — current portion (Note F)	31,596	60,000
Lines of credit (Note F)	-0-	500,000
	<u>246,129</u>	<u>827,999</u>
Long-Term Liabilities:		
Notes payable (net of current portion) (Note F)	80,409	555,000
	<u>326,538</u>	<u>1,382,999</u>
Net Assets:		
Net assets without donor restrictions:		
Net investment in capital assets	5,169,391	6,379,185
Board-designated for endowment (Note C)	80,857	197,307
Undesignated	377,278	(1,387,901)
	<u>5,627,526</u>	<u>5,188,591</u>
Total Net Assets without Donor Restrictions	5,627,526	5,188,591
Net assets with donor restrictions (Note B)	1,632,871	1,559,660
	<u>7,260,397</u>	<u>6,748,251</u>
Total Net Assets	<u>7,260,397</u>	<u>6,748,251</u>
Total Liabilities and Net Assets	<u>\$ 7,586,935</u>	<u>\$ 8,131,250</u>

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in Net Assets without Donor Restrictions:		
Revenue and gains, net of losses:		
Direct contributions:		
Individuals	\$ 432,877	\$ 403,229
Corporations	327,360	126,497
Foundations	457,730	225,007
Bequests and other direct contributions	5,776	15,908
Indirect contributions:		
United Way for Southeastern Michigan	165,951	137,605
Other United Way affiliates	28,771	27,931
In-kind contributions (Note G)	157,124	193,307
Federal and other grants	190,697	231,125
Special events, net (Note H)	1,074,168	1,227,019
Other fund raising events, net (Note H)	52,242	57,311
Interest and dividend income, net	19,128	14,590
Gain on sale of property	1,041,627	-0-
Net realized and unrealized gain (loss) on investments	(37,172)	173,247
Merchandise sales	-0-	1,130
Membership dues	150,057	174,330
Insurance proceeds	-0-	26,116
	<u>4,066,336</u>	<u>3,034,352</u>
 Total Revenue and Gains without Donor Restrictions, Net of Losses	 4,066,336	 3,034,352
 Net assets released from restrictions (Note B)	 <u>253,305</u>	 <u>318,804</u>
 Total Revenue, Gains, and Other Support without Donor Restrictions, Net of Losses	 <u>\$ 4,319,641</u>	 <u>\$ 3,353,156</u>

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in Net Assets without Donor Restrictions (continued):		
Expenses:		
Program services	\$ 2,564,599	\$ 2,973,271
Supporting services:		
Management and general	816,649	916,818
Fund raising	499,458	566,668
Total Supporting Services	<u>1,316,107</u>	<u>1,483,486</u>
Total Expenses	<u>3,880,706</u>	<u>4,456,757</u>
Change in Net Assets without Donor Restrictions	<u>438,935</u>	<u>(1,103,601)</u>
Changes in Net Assets with Donor Restrictions:		
Direct contributions:		
Individuals	36,776	40,000
Foundations and other direct contributions	289,740	411,000
Net assets released from restrictions (Note B)	<u>(253,305)</u>	<u>(318,804)</u>
Change in Net Assets with Donor Restrictions	<u>73,211</u>	<u>132,196</u>
Change in Net Assets	512,146	(971,405)
Net Assets, Beginning of Year	<u>6,748,251</u>	<u>7,719,656</u>
Net Assets, End of Year	<u>\$ 7,260,397</u>	<u>\$ 6,748,251</u>

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)**

	2018				Total Expenses	
	Supporting Services				2018	2017
	Program Services	Management and General	Fund Raising	Total Supporting Services		
Employee Compensation:						
Salaries and wages	\$ 1,117,680	\$ 458,066	\$ 256,517	\$ 714,583	\$ 1,832,263	\$ 2,262,400
Employee benefits and payroll taxes (Note I)	211,547	86,700	48,552	135,252	346,799	487,575
Total Employee Compensation	1,329,227	544,766	305,069	849,835	2,179,062	2,749,975
Other Expenses:						
Professional fees	146,595	184,833	122,329	307,162	453,757	297,175
Supplies and postage	17,074	7,224	4,816	12,040	29,114	79,648
Utilities	219,988	19,735	17,355	37,090	257,078	241,827
Building equipment and maintenance	124,707	14,279	1,458	15,737	140,444	161,228
Insurance	129,904	17,079	11,162	28,241	158,145	168,721
Printing and subscriptions	879	1,767	11,242	13,009	13,888	25,800
Awards and scholarships	21,013				21,013	13,858
Transportation and conferences	42,882	7,220	4,813	12,033	54,915	69,161
Nutrition and apparel (at cost)					-0-	1,972
Interest expense	57,923				57,923	37,728
Bank charges and fees	22,612	3,990		3,990	26,602	30,380
In-kind services (Note G)	140,519	8,698	7,907	16,605	157,124	193,306
Miscellaneous expenses	17,885	4,854	13,307	18,161	36,046	38,140
Total Expenses Before Depreciation	2,271,208	814,445	499,458	1,313,903	3,585,111	4,108,919
Depreciation (Note A)	293,391	2,204		2,204	295,595	347,838
Total Expenses	\$ 2,564,599	\$ 816,649	\$ 499,458	\$ 1,316,107	\$ 3,880,706	\$ 4,456,757

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	
Employee Compensation:					
Salaries and wages	\$ 1,380,064	\$ 565,600	\$ 316,736	\$ 882,336	\$ 2,262,400
Employee benefits and payroll taxes (Note I)	297,420	121,894	68,261	190,155	487,575
Total Employee Compensation	1,677,484	687,494	384,997	1,072,491	2,749,975
Other Expenses:					
Professional fees	76,965	123,722	96,488	220,210	297,175
Supplies and postage	55,829	18,533	5,286	23,819	79,648
Utilities	207,905	18,451	15,471	33,922	241,827
Building equipment and maintenance	141,832	14,274	5,122	19,396	161,228
Insurance	140,447	13,623	14,651	28,274	168,721
Printing and subscriptions	552	856	24,392	25,248	25,800
Awards and scholarships	3,861	9,997		9,997	13,858
Transportation and conferences	54,340	9,081	5,740	14,821	69,161
Nutrition and apparel (at cost)	1,972				1,972
Interest expense	37,728				37,728
Bank charges and fees	25,823	4,557		4,557	30,380
In-kind services (Note G)	176,915	8,586	7,805	16,391	193,306
Miscellaneous expenses	28,785	2,639	6,716	9,355	38,140
Total Expenses Before Depreciation	2,630,438	911,813	566,668	1,478,481	4,108,919
Depreciation (Note A)	342,833	5,005		5,005	347,838
Total Expenses	<u>\$ 2,973,271</u>	<u>\$ 916,818</u>	<u>\$ 566,668</u>	<u>\$ 1,483,486</u>	<u>\$ 4,456,757</u>

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Cash received from donors	\$ 1,987,909	\$ 1,557,456
Cash received from federal and other grantors	190,697	231,125
Cash received from fundraising events	1,136,634	1,284,330
Cash received from investment income	19,024	14,641
Cash received from other sources	-0-	1,130
Cash paid for employee compensation	(2,305,593)	(2,672,672)
Cash paid to suppliers and vendors	(1,140,433)	(1,127,727)
Cash paid for interest	(57,923)	(37,728)
Net Cash Flows from Operating Activities	<u>(169,685)</u>	<u>(749,445)</u>
Cash Flows from Investing Activities:		
Acquisition of fixed assets	(2,902)	(68,417)
Proceeds received on disposition of properties	2,088,728	-0-
Insurance proceeds received as reimbursement for damaged property	-0-	26,116
Acquisition of investments	(130,608)	(973,386)
Proceeds received on disposition of investments	223,846	1,378,641
Net Cash Flows from Investing Activities	<u>2,179,064</u>	<u>362,954</u>
Cash Flows from Financing Activities:		
Repayments on notes payable	(632,995)	(60,000)
Proceeds issued on line of credit	-0-	500,000
Repayments on line of credit	(500,000)	-0-
Net Cash Flows from Financing Activities	<u>(1,132,995)</u>	<u>440,000</u>
Change in Cash and Cash Equivalents	876,384	53,509
Cash and Cash Equivalents, Beginning of Year	<u>180,301</u>	<u>126,792</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,056,685</u>	<u>\$ 180,301</u>
Schedule of Noncash Transactions:		
Acquisition of fixed assets under note payable	<u>\$ 130,000</u>	<u>\$ -0-</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose

Boys & Girls Clubs of Southeastern Michigan (“B&GCSM”) is a not-for-profit youth development organization providing a positive environment that enables its members to become responsible, self-reliant, caring adults. B&GCSM provides educational, recreational, social, and vocation programs for youths. B&GCSM receives contributions from individuals, corporations, foundations, governments (federal, state, and local), community groups (fraternal, civic, and social), special events (predominantly the Detroit Auto Dealers Association in connection with Detroit’s North American International Auto Show Charity Preview), and United Way organizations.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Adoption of New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 modifies the requirements related to financial statement presentation for non-profit organizations. The major provisions of ASU 2016-14 are as follows:

- Information about net assets and changes in net assets is reported for two classes of net assets: *net assets with donor restrictions* and *net assets without donor restrictions*.
- Reporting of expenses by both function and nature in one location is required for all non-profit organizations.
- Either the direct method or the indirect method for presenting operating cash flows may continue to be used, but the requirement for those entities using the direct method to prepare a reconciliation with the indirect method is eliminated.
- Quantitative information that communicates the availability of the organization’s financial assets as of the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statements or in the notes to the financial statements.
- Qualitative information on how the organization manages its liquid available resources and liquidity risks is required to be disclosed in the notes to the financial statements.
- Reporting of the “underwater” amounts of donor-restricted endowment funds in net assets with donor restrictions and enhanced disclosures about “underwater” endowments are required.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncements (continued)

- The portion of endowment funds that is not specifically restricted by donors is no longer considered to be subject to an implicit time restriction and is now classified in net assets without donor restrictions.
- Other enhanced disclosures regarding board designations and appropriations, the nature of net assets with donor restrictions, and functional expense allocation methods are required.

B&GCSM adopted the provisions of ASU 2016-14 as of January 1, 2018. These provisions have been retrospectively applied to the disclosures in the accompanying financial statements as of, and for the year ended, December 31, 2017, except for including disclosures regarding liquidity and availability of resources as of December 31, 2017, as permitted by ASU 2016-14. The adoption of this pronouncement did not impact B&GCSM's net assets.

Financial Statement Presentation

B&GCSM reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Tax-Exempt Status

B&GCSM is organized under section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation by the Internal Revenue Service. B&GCSM's management is not aware of any uncertain tax positions or unrecognized tax benefits as of December 31, 2018 or 2017.

Fair Value Measurements

B&GCSM uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. B&GCSM utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, B&GCSM applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value and provides specific disclosure requirements based on the hierarchy. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that B&GCSM has the ability to access
- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Contributions

Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions of cash and other assets, including unconditional promises to give in the future, are reported as support when received or when conditions related to a contractual promise to give are substantially met, measured at estimated realizable value. All contributions are considered to be available for general use unless specifically restricted by the donor.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Cash Equivalents

B&GCSM considers all highly liquid investments purchased with an original maturity of three months or less from the date of purchase to be cash equivalents.

Contributions Receivable

B&GCSM reports unconditional promises to give as contributions. Contributions that are to be paid to B&GCSM over a period of years (all of which are due in one to five years as of December 31, 2018 and 2017) are recorded at a balance that approximates the present value of their estimated future cash flows. The discount rate used approximates the rate of return on U.S. government securities at the origination of each pledge and is commensurate with the risk management associated with the ultimate collection of the pledges.

Fixed Assets

Fixed assets are stated at their original cost if purchased or at their estimated value at the date of gift if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from four to ten years. B&GCSM capitalizes substantially all expenditures for property and equipment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bequests

Bequests are recorded as support at the time B&GCSM has established a right to the bequest and the proceeds are measurable.

Functional Allocation of Expenses

B&GCSM allocates its expenses on a functional basis among its program and supporting services. Costs directly attributable to programs or supporting services are recorded in the appropriate function. Certain costs not directly attributable to a function are allocated to functions, including employee compensation, which is allocated based on time studies of the particular individuals, and occupancy, which is allocated based on square footage for each function.

Investments

B&GCSM's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

B&GCSM's investments are valued as follows:

- Stocks, bonds, U.S. government securities, and short-term investments are stated at quoted market prices.
- Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by B&GCSM as of the end of the year.
- Other investments are stated at fair value, based on observable model inputs for substantially the full term of the investments.

Purchases and sales of investments are reflected on a trade-date basis. Gains and losses on sales of securities are based on average costs. Dividend income is recorded on the ex-dividend date. Net appreciation and depreciation include gains and losses on investments bought and sold, as well as held, during the year. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the fair value of investments during the year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

Financial instruments which potentially subject B&GCSM to concentrations of credit risk consist principally of cash, cash equivalents, contributions receivable, and investments.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed the federally insured limit of \$250,000 per depositor at each financial institution. Cash and cash equivalents on deposit in excess of the federally insured limit as of December 31, 2018 approximated \$832,000. Contributions receivable are due from various organizations, located primarily in southeastern Michigan. As discussed in Note D, investments are diversified in stocks, bonds, U.S. government securities, registered investment companies, and short-term investments.

Reclassifications

Certain reclassifications have been made to the accompanying financial statements as of, and for the year ended, December 31, 2017 to conform to classifications used as of, and for the year ended, December 31, 2018.

Subsequent Events

B&GCSM has evaluated subsequent events through October 18, 2019, the date that the accompanying financial statements were available to be issued.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available as of December 31, 2018 and 2017 for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Restricted for specific purposes:		
Investment in perpetuity	\$ 1,033,359	\$ 1,033,359
Dauch Campus Club 215	111,430	-0-
Dick & Sandy Dauch Campus	100,000	150,000
Matilda R. Wilson Fund	75,000	150,000
Nicholas A. Showich Fund	56,789	60,355
James McLernon Scholarship Fund	49,000	50,000
Allstate Youth for Unity program	41,256	-0-
RiteAid Triple Play program	30,000	-0-
Dexter Family Scholarship Fund	20,112	32,956
Youth Program Quality	17,500	-0-
Youth of the Year program	15,970	-0-
Comcast Technology at Donahey	10,000	-0-
DTE Workforce Readiness Program	9,409	-0-
Comcast Photography at Fauver Martin	8,000	-0-
Lloyd H. Diehl Club renovation	-0-	61,000
Other purposes	18,270	21,990
	<u>1,596,095</u>	<u>1,559,660</u>
Restricted for use in future periods	<u>36,776</u>	<u>-0-</u>
	<u>\$ 1,632,871</u>	<u>\$ 1,559,660</u>

The interest income from investments to be held in perpetuity is available to support current operations, as outlined in the policies of the endowment fund.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished for the following purposes:		
Matilda R. Wilson Fund	\$ 75,000	\$ 75,000
Lloyd H. Diehl Club renovation	61,000	-0-
Dick & Sandy Dauch Campus	50,000	50,000
DTE Workforce Readiness Program	15,591	-0-
Dexter Family Scholarship Fund	12,844	7,044
Allstate Youth for Unity program	8,744	-0-
Dauch Campus Club 215	3,570	-0-
Nicholas A. Showich Fund	3,566	-0-
James McLernon Scholarship Fund	1,000	-0-
Other purposes	21,990	186,760
	<u>\$ 253,305</u>	<u>\$ 318,804</u>

NOTE C — ENDOWMENT FUND

B&GCSM has established an endowment fund that includes both funds with donor restrictions and funds designated by B&GCSM's Board of Directors to function as endowments. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Contributions to the endowment fund with donor restrictions include stipulations that the original principal of the gifts is to be held in perpetuity and invested by B&GCSM. Income from the fund is to be used to support ongoing operations.

B&GCSM's policy is to allocate funds from the endowment fund to defray the ordinary and necessary operating expenses of B&GCSM on an annual basis. The allocation is limited to a maximum of seven percent of the fair value of the total assets held in the endowment fund as of December 31 of the previous year.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE C — ENDOWMENT FUND (CONTINUED)

The endowment fund balance is reflected in the accompanying financial statements as of December 31, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Without donor restrictions:		
Board-designated	\$ 80,857	\$ 197,307
With donor restrictions	<u>1,033,359</u>	<u>1,033,359</u>
	<u>\$ 1,114,216</u>	<u>\$ 1,230,666</u>

Reconciliations of the fair value of endowment fund assets for the years ended December 31, 2018 and 2017 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2018			
Changes in Endowment Fund Assets:			
Net realized and unrealized loss	\$ (37,524)	\$ -0-	\$ (37,524)
Interest and dividend income	30,243		30,243
Transfers from general operations	100,088		100,088
Less:			
Transfers to general operations	(198,000)		(198,000)
Administrative expenses	<u>(11,257)</u>		<u>(11,257)</u>
Change in Endowment Fund Assets	(116,450)	-0-	(116,450)
Endowment Fund Assets, Beginning of Year	<u>197,307</u>	<u>1,033,359</u>	<u>1,230,666</u>
Endowment Fund Assets, End of Year	<u>\$ 80,857</u>	<u>\$ 1,033,359</u>	<u>\$ 1,114,216</u>

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE C — ENDOWMENT FUND (CONTINUED)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2017			
Changes in Endowment Fund Assets:			
Net realized and unrealized gain	\$ 173,247	\$ -0-	\$ 173,247
Interest and dividend income	29,669		29,669
Less:			
Transfers to general operations	(400,000)		(400,000)
Administrative expenses	<u>(15,027)</u>		<u>(15,027)</u>
Change in Endowment Fund Assets	(212,111)	-0-	(212,111)
Endowment Fund Assets, Beginning of Year	<u>409,418</u>	<u>1,033,359</u>	<u>1,442,777</u>
Endowment Fund Assets, End of Year	<u>\$ 197,307</u>	<u>\$ 1,033,359</u>	<u>\$ 1,230,666</u>

NOTE D — INVESTMENTS AND FAIR VALUE

B&GCSM's policy is to maintain a moderately conservative but balanced portfolio, with the primary investment objectives being the preservation of purchasing power and the preservation of capital. The investment portfolio is structured and maintained with the overall objective of providing the resources and liquidity for B&GCSM to fulfill its mission.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE D — INVESTMENTS AND FAIR VALUE (CONTINUED)

B&GCSM's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2018 and 2017 is summarized as follows:

	<u>Fair Value Measurements</u>		
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Total</u>
2018			
Assets:			
Investments at fair value:			
Short-term investments	\$ 184,841	\$ -0-	\$ 184,841
Common stocks	540,566		540,566
Foreign stocks	15,053		15,053
Corporate bonds	67,375		67,375
Registered investment companies:			
Equity fund	73,233		73,233
Fixed income fund	148,554		148,554
U.S. government and agency notes and bonds	87,173		87,173
Other		84	84
	<u>\$ 1,116,795</u>	<u>\$ 84</u>	<u>\$ 1,116,879</u>

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE D — INVESTMENTS AND FAIR VALUE (CONTINUED)

	<u>Fair Value Measurements</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
2017			
Assets:			
Investments at fair value:			
Short-term investments	\$ 175,257	\$ -0-	\$ 175,257
Common stocks	664,620		664,620
Foreign stocks	16,589		16,589
Corporate bonds	52,250		52,250
Registered investment companies:			
Equity fund	80,574		80,574
Fixed income fund	152,515		152,515
U.S. government and agency notes and bonds	91,384		91,384
Other		105	105
	<u>\$ 1,233,189</u>	<u>\$ 105</u>	<u>\$ 1,233,294</u>

B&GCSM did not have any assets classified in Level 3 of the fair value hierarchy as of December 31, 2018 or 2017.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE E — FIXED ASSETS

Fixed assets as of December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 140,000	\$ 843,543
Buildings	7,144,475	9,250,047
Building improvements	4,169,597	4,870,376
Equipment and software	1,904,113	2,119,255
	<u>13,358,185</u>	<u>17,083,221</u>
Less: Accumulated depreciation	<u>(8,188,794)</u>	<u>(10,704,036)</u>
	<u>\$ 5,169,391</u>	<u>\$ 6,379,185</u>

Certain real estate, with a carrying amount of \$703,543 as of December 31, 2017, was pledged as collateral for the note payable and the current line of credit with Comerica Bank. The note payable and line of credit have been paid off as of December 31, 2018 after the property pledged as collateral was sold. See Note F for more details regarding the note payable and the lines of credit.

NOTE F — NOTES PAYABLE AND LINES OF CREDIT

B&GCSM had obtained a \$1,000,000 secured line of credit with Comerica Bank. Interest was payable monthly and was computed at the daily adjusting London Inter-Bank Offering Rate. This line of credit was secured by B&GCSM's endowment accounts held at Comerica Bank. On June 28, 2017, this line of credit was converted into a note payable with a maturity date of June 20, 2022. This note was payable in monthly installments of \$5,000 plus interest at a rate of five percent per annum, and was secured by real estate owned by B&GCSM, as described in Note E, and by B&GCSM's endowment accounts held at Comerica Bank. A balloon payment for the outstanding balance was payable on the maturity date.

B&GCSM opened another \$500,000 line of credit with Comerica Bank on June 28, 2017, the balance of which was fully issued as of December 31, 2017. Interest was payable monthly and was computed at Comerica Bank's Prime Reference Rate. This line of credit was secured by real estate owned by B&GCSM, as described in Note E, and by B&GCSM's endowment accounts held at Comerica Bank.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE F — NOTES PAYABLE AND LINES OF CREDIT (CONTINUED)

On November 13, 2018, the pledged real estate property was sold, and the proceeds were used to pay off the remaining balances on the note payable and line of credit with Comerica Bank. As of December 31, 2018, no arrangement or line of credit exists with any bank.

B&GCSM acquired a lighting system in 2018 under a separate note payable. The monthly payment is \$2,879 for 48 months. The future schedule of annual maturities of this note payable as of December 31, 2018 is as follows:

For the Year Ending December 31:	
2019	\$ 31,596
2020	32,564
2021	33,562
2022	<u>14,283</u>
	<u>\$ 112,005</u>

NOTE G — IN-KIND CONTRIBUTIONS

B&GCSM receives substantial amounts of in-kind contributions to help fund its operations and special events. These donations include use of facilities, advertising, promotional services, salaries and benefits, and other items. The value of these items was \$157,124 and \$193,307 for the years ended December 31, 2018 and 2017, respectively. In-kind contributions are recognized in the financial statements if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The estimated fair value of these services and facilities is reflected in the accompanying financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE H — SPECIAL AND OTHER FUND RAISING EVENTS

Revenue and direct expenses related to special and other fund raising events for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Special Events</u>	<u>Other Fund Raising Events</u>	<u>Special Events</u>	<u>Other Fund Raising Events</u>
Gross revenue	\$ 1,225,739	\$ 102,455	\$ 1,364,480	\$ 134,775
Less: Direct expenses	<u>(151,571)</u>	<u>(50,213)</u>	<u>(137,461)</u>	<u>(77,464)</u>
	<u>\$ 1,074,168</u>	<u>\$ 52,242</u>	<u>\$ 1,227,019</u>	<u>\$ 57,311</u>

NOTE I — PENSION PLAN

B&GCSM participates in a national pension trust program with Boys & Girls Clubs of America that is recognized as a multiple-employer defined contribution pension plan. B&GCSM makes a matching contribution of five percent of eligible compensation for its employees. Pension expense was \$17,070 and \$51,912 for the years ended December 31, 2018 and 2017, respectively. The accrued pension balance was \$9,243 and \$47,882 as of December 31, 2018 and 2017, respectively.

NOTE J — LEASES

B&GCSM leases equipment and program space in southeastern Michigan under operating lease agreements expiring at various times. B&GCSM also has a lease for the property at the Dick & Sandy Dauch Campus, home of the NFL/Youth Education Town — Boys & Girls Club. The lease is \$1 annually for 75 years. This lease has been paid in full through 2082. Future minimum lease payments are as follows:

For the Year Ending December 31:	
2019	\$ 4,899
2020	1,973
2021	1,973
2022	1,973
2023	<u>1,151</u>
Total Minimum Lease Payments	<u>\$ 11,969</u>

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE J — LEASES (CONTINUED)

Rental expense under operating leases was \$5,143 and \$6,118 for the years ended December 31, 2018 and 2017, respectively.

NOTE K — RELATED-PARTY TRANSACTIONS

B&GCSM's Board of Directors includes officers of the lessor from whom B&GCSM leases office space and an officer of a construction company providing repairs and improvements to B&GCSM's facilities. B&GCSM had the following transactions with these companies:

- B&GCSM expensed \$78,052 per year in connection with this office lease during the years ended December 31, 2018 and 2017, which has been recognized in the statements of activities as in-kind donations of the use of facilities.
- Expenses for building repairs and improvements from the construction company were \$18,582 and \$82,857 for the years ended December 31, 2018 and 2017, respectively. The amount due to the construction company was \$-0- and \$10,410 as of December 31, 2018 and 2017, respectively.

NOTE L — LIQUIDITY AND AVAILABILITY OF RESOURCES

B&GCSM has the following financial assets available for general expenditures within one year as of December 31, 2018:

Financial Assets:	
Cash and cash equivalents	\$ 1,056,685
Contributions receivable	218,134
Investments	1,116,879
Accrued interest receivable	2,501
	<hr/>
Total Financial Assets	2,394,199
Less:	
Donor-restricted assets	<hr/> (1,632,871)
	<hr/>
Financial Assets Available to Meet General Expenditures within One Year	\$ 761,328
	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE L — LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

As of December 31, 2018, B&GCSM has certain donor-restricted assets that are to be used for specific purposes or maintained in perpetuity. Therefore, these assets are not considered to be available for general expenditures within the next year. B&GCSM has a policy to manage its liquidity following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE M — NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, in May 2014. The objectives of this ASU are to improve upon revenue recognition requirements by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This ASU also requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 applies to B&GCSM's financial statements for the year ending December 31, 2019, with earlier implementation permitted, and is to be applied retrospectively. B&GCSM's management has not determined the impact on B&GCSM's financial statements as a result of implementing ASU 2014-09.

The FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in June 2018. ASU 2018-08 clarifies current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction by clarifying how an entity determines whether a resource provider is participating in an exchange transaction and clarifying the definition of "commensurate value". ASU 2018-08 also modifies the definition of a "donor-imposed condition" so that the determination is based on whether an agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. ASU 2018-08 also permits an organization to elect a policy in which contributions that are restricted by the donor and that were initially conditional contributions are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized without also having to elect that policy for other contributions that are restricted by the donor. ASU 2018-08 applies to B&GCSM's financial statements for the year ending December 31, 2019, with earlier implementation permitted, and is to be applied on a modified prospective basis. B&GCSM's management has not determined the impact on B&GCSM's financial statements as a result of implementing ASU 2018-08.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE M — NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The FASB issued ASU 2016-02, *Leases (Topic 842)*, in February 2016. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases: finance leases, which are to be accounted for in substantially the same manner as the existing accounting for capital leases, and operating leases, which are to be accounted for (both in the statement of activities and the statement of cash flows) in a manner consistent with existing accounting for operating leases. ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 applies to B&GCSM's financial statements for the year ending December 31, 2020, with earlier implementation permitted. B&GCSM's management has not determined the impact on B&GCSM's financial statements as a result of implementing ASU 2016-02.