



**BOYS & GIRLS CLUBS
OF FRESNO COUNTY**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2017 AND 2016**

**BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**

**FOR THE YEARS ENDED
SEPTEMBER 30, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys & Girls Clubs of Fresno County
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of Boys & Girls Clubs of Fresno (the "Organization"), which comprise the statements of financial position as of September 30, 2017 and 2016 and the related statements of activities, 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 audits. We conducted our audits 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 Organization'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 Organization'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Fresno County as of September 30, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2018, on our consideration of Boys & Girls Clubs of Fresno County'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 the Organization's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
March 16, 2018

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 163,807	\$ 145,813
Investments	605,137	927,417
Accounts Receivable	35,437	19,867
Grants Receivable	332,886	371,389
Prepaid Expenses	5,151	4,492
Total Current Assets	1,142,418	1,468,978
Property and Equipment, Net	3,616,715	3,744,214
Total Assets	\$ 4,759,133	\$ 5,213,192
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 347,114	\$ 220,333
Accrued Expenses	196,428	189,572
Deferred Revenue	254,532	425,188
Total Current Liabilities	798,074	835,093
Net Assets:		
Unrestricted	3,797,782	4,297,297
Temporarily Restricted	163,277	80,802
Total Net Assets	3,961,059	4,378,099
Total Liabilities and Net Assets	\$ 4,759,133	\$ 5,213,192

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, support and gains:			
Contributions	\$ 418,219	\$ 15,654	\$ 433,873
Grants from governmental and other agencies	2,152,297	515,607	2,667,904
Special events, net of direct expenses of \$105,315	335,666	-	335,666
Donated goods and services	128,421	-	128,421
Membership fees	3,106	-	3,106
Rental income	3,789	-	3,789
Investment income, net	73,513	-	73,513
(Loss) on disposal of fixed assets	(47)	-	(47)
Program fees	9,015	-	9,015
Miscellaneous	38,571	-	38,571
 Total revenues, support and gains before net assets released from restrictions	 3,162,550	 531,261	 3,693,811
 Net assets released from restriction	 448,786	 (448,786)	 -
 Total revenues, support and gains after net assets released from restrictions	 3,611,336	 82,475	 3,693,811
 Costs and expenses:			
Program services	3,366,382	-	3,366,382
Management and general	538,372	-	538,372
Fundraising	206,097	-	206,097
 Total costs and expenses	 4,110,851	 -	 4,110,851
 Change in net assets	 (499,515)	 82,475	 (417,040)
 Net assets, beginning of year	 4,297,297	 80,802	 4,378,099
 Net assets, end of year	 \$ 3,797,782	 \$ 163,277	 \$ 3,961,059

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, support and gains:			
Contributions	\$ 528,667	\$ 127,403	\$ 656,070
Grants from governmental and other agencies	2,941,424	-	2,941,424
Special events, net of direct expenses of \$126,663	294,566	-	294,566
Donated goods and services	135,290	-	135,290
Membership fees	2,094	-	2,094
Rental income	15,321	-	15,321
Investment income, net	64,298	-	64,298
Program fees	27,990	-	27,990
Miscellaneous	5,778	-	5,778
 Total revenues, support and gains before net assets released from restrictions	 4,015,429	 127,403	 4,142,832
 Net assets released from restriction	 179,578	 (179,578)	 -
 Total revenues, support and gains after net assets released from restrictions	 4,195,007	 (52,175)	 4,142,832
 Costs and expenses:			
Program services	3,502,415	-	3,502,415
Management and general	570,114	-	570,114
Fundraising	99,848	-	99,848
 Total costs and expenses	 4,172,376	 -	 4,172,376
 Change in net assets	 22,631	 (52,175)	 (29,544)
 Net assets, beginning of year	 4,274,666	 132,977	 4,407,643
 Net assets, end of year	 \$ 4,297,297	 \$ 80,802	 \$ 4,378,099

**BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Salaries and wages	\$ 1,850,469	\$ 411,011	\$ 147,395	\$ 2,408,875
Payroll taxes and benefits	139,794	26,997	12,456	179,247
Workmen's compensation	54,687	2,759	498	57,944
Other employee benefits	107,964	13,529	1,494	122,987
Total personnel costs	2,152,914	454,296	161,843	2,769,053
Advertising	122,221	-	6,825	129,046
Alarm and security	6,110	320	100	6,530
Auto expense	21,822	800	657	23,279
Bank charges	-	4,671	-	4,671
Conferences, travel and field trips	61,847	7,028	1,406	70,281
Dues and subscriptions	13,233	-	-	13,233
Insurance	40,494	1,585	-	42,079
Interest expense	-	3,883	-	3,883
Legal and accounting	-	26,992	24,800	51,792
Office expense	18,517	1,791	-	20,308
Postage and delivery	1,933	-	632	2,565
Printing and reproduction	688	-	2,702	3,390
Stipends and scholarships	68,007	-	-	68,007
Rents	64,606	-	-	64,606
Repairs and maintenance	9,596	1,244	-	10,840
Supplies	442,447	-	-	442,447
Property taxes and fees	3,213	672	-	3,885
Telephone	29,168	1,589	-	30,757
Utilities	122,664	12,837	7,132	142,633
Subtotal	1,026,566	63,412	44,254	1,134,232
Total expenses before depreciation	3,179,480	517,708	206,097	3,903,285
Depreciation	186,902	20,664	-	207,566
Total costs and expenses	\$ 3,366,382	\$ 538,372	\$ 206,097	\$ 4,110,851

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Salaries and wages	\$ 1,845,584	\$ 388,160	\$ 73,757	\$ 2,307,501
Payroll taxes and benefits	132,887	50,339	3,021	186,247
Workmen's compensation	59,754	4,248	480	64,482
Other employee benefits	117,475	27,620	1,252	146,347
Total personnel costs	<u>2,155,700</u>	<u>470,367</u>	<u>78,510</u>	<u>2,704,577</u>
Advertising	168,841	1,073	5,065	174,979
Alarm and security	6,208	1,164	388	7,760
Auto expense	35,521	1,097	538	37,156
Bank charges	-	736	-	736
Conferences, travel and field trips	75,571	14,841	414	90,826
Dues and subscriptions	13,802	-	-	13,802
Insurance	37,264	329	-	37,593
Interest expense	-	164	-	164
Legal and accounting	-	23,910	825	24,735
Office expense	17,880	2,939	22	20,841
Postage and delivery	128	-	1,132	1,260
Printing and reproduction	3,406	-	2,204	5,610
Stipends and scholarships	54,010	-	-	54,010
Rents	53,928	10,111	3,370	67,409
Repairs and maintenance	21,514	4,034	1,345	26,892
Supplies	553,894	702	75	554,671
Property taxes and fees	2,315	713	-	3,028
Telephone	31,420	1,021	-	32,441
Utilities	95,358	17,880	5,960	119,198
Subtotal	<u>1,171,060</u>	<u>80,714</u>	<u>21,338</u>	<u>1,273,111</u>
Total expenses before depreciation	3,326,760	551,081	99,848	3,977,688
Depreciation	<u>175,655</u>	<u>19,033</u>	<u>-</u>	<u>194,688</u>
Total costs and expenses	<u>\$ 3,502,415</u>	<u>\$ 570,114</u>	<u>\$ 99,848</u>	<u>\$ 4,172,376</u>

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Changes in net assets	\$ (417,040)	\$ (29,544)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	207,566	194,688
Loss on disposal of assets	47	-
Donated securities	-	(93,630)
Donated assets	(6,801)	(47,014)
Unrealized (gain) loss on investments	(52,720)	(42,702)
Changes in operating assets and liabilities:		
Accounts receivable	(15,570)	12,185
Grants receivable	38,503	(88,206)
Prepaid expenses	(659)	(352)
Accounts payable	126,781	171,132
Accrued expenses	6,856	(46,892)
Deferred revenue	(170,656)	8,545
Net cash provided by (used in) operating activities	(283,693)	38,209
Cash flows from investing activities:		
Purchase of fixed assets	(73,313)	(345,883)
Purchase of investments	(242,087)	(196,727)
Proceeds from sale of investments	617,087	332,686
Net cash provided by (used in) investing activities	301,687	(209,924)
Increase (decrease) in cash	17,994	(171,715)
Cash and cash equivalents, beginning of year	145,813	317,528
Cash and cash equivalents, end of year	\$ 163,807	\$ 145,813
 Supplemental Disclosure of Cash Flow Information:		
Non-cash investing activities:		
In-kind contributions of property and equipment	\$ 6,801	\$ 47,014
Interest paid	\$ 3,883	\$ 162

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 – ORGANIZATION AND OPERATIONS

Boys & Girls Clubs of Fresno County (the “Organization”) is a not-for-profit organization formed in 1949 for the purpose of serving youth through the offering of the following core services at its various locations: cultural enrichment, health and physical education, social recreation, citizenship and leadership development, personal and educational development, and outdoor and environmental education. The Organization is primarily supported by contributions from the general public, grants from federal agencies and private organizations, investment earnings and special fundraising events.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization’s financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

Under generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets, consisting of unrestricted net resources, represent the portion of resources that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of net assets resulting from contributions and other inflows for assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets represent the part of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

Donated in-kind gifts are recognized as contributions if they have ascertainable fair values and are able to be realized in cash or other liquid assets. Donated services are recognized as contributions if they 1) significantly enhance non-financial assets or 2) involve a specialized service that would otherwise have been purchased and whose values can be objectively measured.

A substantial number of volunteers have donated of their time to the Organization's program services and fund-raising campaigns during the year. However, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services are reflected in the statement of activities at their fair value. The Organization recognized \$1,284 in donated services for the year ended September 30, 2017 and \$2,119 in donated services were recognized for the year ended September 30, 2016.

Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or assets. The Organization received donated assets of \$6,801 and \$47,014 for the years ended September 30, 2017 and 2016, respectively. In-kind support used for fundraising activities in the amounts of \$66,016 and \$83,031 for the years ended September 30, 2017 and 2016, respectively.

Values assigned to in-kind contributions and the related expenses are based on federal guidelines. In accordance with those guidelines, values are based upon estimated area-wide averages for purchased services, facilities or supplies of a similar type. In-kind contributions and expenses are recorded when used in the program and are not carried forward. In-kind contributions were \$193,027 and \$156,337 for the years ended September 30, 2017 and 2016, respectively, these consisted of donated materials and facilities and were recorded at fair value on the date of the donation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in various demand and interest-bearing accounts on deposit with insured financial and brokerage institutions. The Organization considers all investments with an original maturity of three months or less to be cash equivalents. Throughout the year and at year-end, the Organization's cash balances were deposited in several banks. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investment securities are stated at their estimated fair value based on quoted closing prices. Investment income, including unrealized and realized gains and losses, interest, dividends and related items, is recognized in the statement of activities as it is incurred.

Fair Value of Financial Instruments

The Organization considers its cash and cash equivalents, accounts and grants receivable, prepaid expenses, accounts payable and accrued expense to be short-term in nature, and therefore their fair values approximate their carrying values.

Allowance for Doubtful Accounts

The Organization provides an allowance for doubtful accounts based upon management's review and analysis of specific receivables and considers the age of past due amounts. Accounts and Grants Receivable are written-off when deemed uncollectible. Recoveries of Accounts and Grants Receivable previously written-off or changes in allowance estimates are recognized as income when received or recorded. Based on management's review and analysis of its receivables, an allowance account was not deemed necessary for the years ended September 30, 2017 and 2016.

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost, or if donated, at the fair value at the date of donation. All assets acquired by the Organization whose initial value or cost exceeds \$1,500 for 2017 and 2016 are capitalized and depreciated. Routine repairs and maintenance, including planning major maintenance activities are expensed when incurred. Depreciation is recorded using the straight-line method over the following estimated useful lives:

Buildings	7-75 years
Equipment	5-12 years
Furniture and fixtures	7 years
Automobiles	5 years

Pension Plan

The pension plan covers employees who are over 24½ years old and have been employed by the Organization for six months on a full-time basis. The cost of the plan is 3% of gross salary as of each anniversary date. At September 30, 2017 and 2016, pension expenses totaled \$68,781 and \$54,251, respectively, and have been included with Other Employee Benefits in the Statement of Functional Expenses. Contributions to the plan were in accordance with plan requirements.

Advertising Costs

The Organization expenses all advertising costs as incurred. The Organization received a grant to assist with advertising costs from a grantor of approximately \$151,000 and \$167,000 during the years ended September 30, 2017 and 2016, respectively. As of September 30, 2017 and 2016, advertising costs totaled \$129,046 and \$174,979, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Functional Classification of Expenses

The costs of providing the Organization's various charitable and general services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, direct and indirect expenses have been allocated to program services or other activities based on their specific identification or the personnel resources utilized in the function. Supporting services consist principally of management and general costs not directly allocable to Program Services or Fundraising activities.

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 3 – CASH AND CASH EQUIVALENTS

At September 30, cash and cash equivalents consisted of the following:

	<u>2017</u>	<u>2016</u>
Union Bank of California	\$ 21,377	\$ 22,951
Citibank	86,699	10,765
Citibank - Money market	6,410	22,471
Morgan Stanley Dean Witter	26,635	40,937
Wells Fargo	<u>22,686</u>	<u>48,689</u>
Total	<u>\$ 163,807</u>	<u>\$ 145,813</u>

NOTE 4 – INVESTMENTS

Investments consisted of the following as of September 30:

	<u>2017</u>	<u>2016</u>
Common Stock	\$ 211,609	\$ 390,912
Mutual Funds	68,611	213,065
Government Securities	92,558	107,377
Assets and Mortgage Backed Securities	-	3,625
Central Valley Community Foundation Investment Pool	<u>232,359</u>	<u>212,438</u>
Total	<u>\$ 605,137</u>	<u>\$ 927,417</u>

Investment income is composed of the following for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 20,793	\$ 21,596
Net Realized and Unrealized Gain	73,384	55,297
Investment Expense	<u>(20,664)</u>	<u>(12,595)</u>
Investment Income, Net	<u>\$ 73,513</u>	<u>\$ 64,298</u>

NOTE 5 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at Union Bank of California and Citibank of California. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of September 30, 2017 and 2016, balances did not exceed federally insured limits.

The Organization maintains securities at three investment service providers. Accounts at each provider are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000. As of September 30, 2017 and 2016, investment balances did not exceed federally insured limits.

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 6 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value 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. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest propriety to unadjusted quoted prices in active markets for identical assets or liabilities (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets and liabilities.

Level 3 – Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounts cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The table below presents the balance of assets measured at fair value on a recurring basis:

	Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2017				
Common Stock	\$ 211,609	\$ 211,609	\$ -	\$ -
Mutual Funds	68,611	68,611	-	-
Government Securities	92,558	92,558	-	-
Central Valley Community Foundation Investment Pool	232,359	-	232,359	-
Total	<u>\$ 605,137</u>	<u>\$ 372,778</u>	<u>\$ 232,359</u>	<u>\$ -</u>
September 30, 2016				
Common Stock	\$ 390,912	\$ 390,912	\$ -	\$ -
Mutual Funds	213,065	213,065	-	-
Government Securities	107,377	107,377	-	-
Asset and Mortgage Backed Securities	3,625	3,625	-	-
Central Valley Community Foundation Investment Pool	212,438	-	212,438	-
Total	<u>\$ 927,417</u>	<u>\$ 714,979</u>	<u>\$ 212,438</u>	<u>\$ -</u>

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 7 – GRANTS RECEIVABLE

At September 30, amounts due to the Organization for expenditures that are reimbursable by the granting agency are as follows:

	<u>2017</u>	<u>2016</u>
Boys & Girls Clubs of America	\$ 7,552	\$ 7,136
Focus Forward	7,000	-
Building Better Communities	2,945	7,841
California Department of Public Health	102,098	69,887
City of Fresno	10,384	3,750
County of Fresno	4,679	2,900
County of Fresno - Recidivism	3,053	4,948
Californita Tobacco Control Program (CTCP)	122,801	88,777
Ford Motor Company	-	35,000
Fresno County Probation Department	7,500	5,000
Housing Authority - City of Fresno	16,950	20,525
Housing Authority - County of Fresno	38,545	91,642
Mendota RAD - Housing Authority	792	2,500
Mountain Area Youth Organization	5,868	24,007
Orange Cove RAD - Housing Authority	1,330	3,990
Southeast Fresno RAD - Housing Authority	914	2,536
Viking Village RAD - Housing Authority	475	950
Total	<u>\$ 332,886</u>	<u>\$ 371,389</u>

NOTE 8 – PROPERTY AND EQUIPMENT, NET

At September 30, property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 5,815,811	\$ 5,742,497
Equipment	179,358	197,249
Furniture and fixtures	66,917	66,918
Automobiles	201,532	196,532
Accumulated depreciation	<u>(2,646,903)</u>	<u>(2,458,982)</u>
Property and equipment, net	<u>\$ 3,616,715</u>	<u>\$ 3,744,214</u>

Depreciation expense amounted to \$207,566 and \$194,688 for the years ended September 30, 2017 and 2016, respectively.

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 9 – DEFERRED REVENUE

Deferred revenue represents amounts received by the Organization from grantors and private foundations to cover the initial operating expenses for particular programs. The Organization considers these grants to be exchange services and recognizes revenue when they are earned. At September 30, deferred revenue consisted of the following:

	<u>2017</u>	<u>2016</u>
Auction - Deferred Revenue	\$ 37,850	\$ 38,500
BGCA - NY LifeGrief & Bereavement	7,915	-
Booth Foundation	74,298	72,220
Central Valley Community Foundation - Arts Program	-	10,499
Central Valley Community Foundation - High Impact - 2016-17	25,003	8,337
Central Valley Community Foundation - Literacy Project	-	68,750
Central Valley Community Foundation - Teen Pregnancy	11,316	-
Comcast - My Future	11,666	-
Chevron	10,837	1,174
City of Sanger	-	20,641
Digital Connectors	-	12,444
Garabedian	-	330
Golden 1 Credit Union	-	13,449
Ford Motor Company	-	32,083
Kaiser	-	29,166
Law Enforcement Grant	25,000	17,500
New Club - Inspiration Park	-	25,280
Sanger - Project Purple	-	18,147
Wells Fargo - Pinedale	2,000	-
Selma	40,307	39,998
Taco Bell Grant	8,340	16,670
	<u>\$ 254,532</u>	<u>\$ 425,188</u>
Total		

NOTE 10 – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2017</u>	<u>2016</u>
Huron Westside Club	\$ -	\$ 217
Inspiration Park	8,224	80,585
PG&E Summer Youth	155,053	-
	<u>\$ 163,277</u>	<u>\$ 80,802</u>

Net assets are released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as described in Note 2.

BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 11 – OPERATING LEASES

The Organization conducts the operations of the East Fresno Boys & Girls Clubs from a facility that is leased under a twenty-five year operating lease which commenced on February 1, 2008. Total annual lease payments under this lease are \$1. There is an option to continue the lease on a month-to-month basis after the lease term expires.

NOTE 12 – TAXES

The Organization has qualified as a not-for-profit organization and has been granted tax-exempt status pursuant to Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes.

Generally accepted accounting principles provides accounting and disclosures guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

NOTE 13 – CONTINGENCIES

Boys & Girls Club of Fresno County has received revenue for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from September 30, 2017 through the date the financial statements were available to be issued at March 16, 2018 that would require disclosure or adjustment.



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 Fresno County
Fresno, California

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 Boys & Girls Clubs of Fresno County (the "Organization"), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization'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 Organization'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 Organization's financial statements are free from 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

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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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Pange & Company

Clovis, California
March 16, 2018

**BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	<u> X </u> no	
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no	

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

**BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

FINANCIAL STATEMENT FINDINGS

Finding 2016-001

Internal Controls Over Financial Reporting (Material Weakness)

Condition: During our audit, we noted that the Organization's process for the financial close and reporting was not adequately defined and documented. The Organization's Controller managed the accounting function for the Organization and did not ensure processes and policies were well defined so that alternative personnel can assist with the financial close and reporting process. The absence of an Organization's Controller during the audit period resulted in delays in the Organization's ability to close the year-end and reconcile schedules on a timely basis.

Criteria: Management has the responsibility of ensuring that internal controls over financial reporting at the Organization are properly designed and implemented, including developing policies and procedures to ensure that the financial close and reporting process is defined and documented.

Cause: The Organization did not have a process in place to ensure that the financial close and reporting process allows for others within the Organization to participate in the year-end process due to a lack of defined policies and procedures.

Effect: The Organization was unable to complete the year-end financial close and reporting on a timely basis. Year-end reconciling schedules, including accounts payable invoices, vacation accruals and deferred revenue entries as a result were not properly reflected at year-end and resulted in significant revisions or adjustments.

Recommendation: We recommend that the Organization develop a policies and procedures manual for the financial close and reporting function, which should include a year-end checklist detailing all the necessary steps to ensure a proper year-end close. In addition, the accounting function responsibilities should be allocated across multiple personnel to ensure that the departure of a key accounting employee does not result in a lapse of the financial reporting process.

Management's Response: Subsequent to the September 30, 2016 year-end, the Organization's Controller unexpectedly resigned. As a result, the accounting department incurred significant delays in being able to close the year-end and prepare the necessary reconciling schedules. The Organization has since retained another Controller to assist with the year-end closing process, as well as allocating various accounting functions to multiple personnel to segregate key accounting functions. The policy and procedures accounting manual will be updated to document the appropriate steps in ensuring a complete and timely year-end close.

Status: Implemented.

**BOYS & GIRLS CLUBS OF FRESNO COUNTY
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2016-002

Credit Card Authorization and Documentation (Significant Deficiency)

Condition: During our audit, we noted that the Organization's process for ensuring that credit card charges are approved and include supporting documentation was not effective. Our review of the credit card charges determined that charges made on the Organization's credit cards did not always have supporting documentation or necessary receipts and does not indicate the business nature of the charge.

Criteria: Management is required to maintain sufficient controls over key accounting functions, including purchasing and disbursements. The Organization should ensure that policies and procedures related to the use of the Organization's credit cards are being following and effectively monitored to prevent unauthorized use.

Cause: Our review of the credit card statement of 4 cardholders for December 2015 showed 4 instances in which credit card receipts were not always available or did not have supporting documentation.

Effect: Certain credit card charges ultimately did not always have supporting receipts substantiating the purchases.

Recommendation: We recommend that the Organization actively monitor the use of the Organization's credit cards and require that all employees submit receipts with all credit card charges and also indicate the business nature of the charge. Employees should be given no more than 30 days after the charge to turn in their receipts. If no receipt is available, the Organization should require the employee to submit a written statement indicating the business nature of the charge.

In addition, as a matter of best practice, we recommend that the Executive Director's credit card charges be reviewed by either by the Treasurer, a member of the Finance Committee or some other governance designee. Such a review is appropriate for the Organization's size and complexity, and can be done on a quarterly basis.

Management's Response: Management agrees with the finding and will update its policies and procedures to more frequently monitor the use of credit cards at all levels of the Organization. Management has required every cardholder to sign and acknowledge the new credit card policy that requires charges to be substantiated with receipts within 30 days of purchase. The Finance Committee will review the Executive Director credit card charges on a periodic basis.

Status: Implemented.