

**BOYS & GIRLS CLUBS
OF WESTERN LANE COUNTY
Florence, Lane County, Oregon**

**FINANCIAL STATEMENTS
(Reviewed)
Years Ended December 31, 2015 and 2014**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Boys and Girls Club of Western Lane County
Florence, Oregon

We have reviewed the accompanying statements of financial position of Boys and Girls Club of Western Lane County (a nonprofit organization), as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the periods then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization Management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

ALLIANCE PROFESSIONALS, LLP
Redmond, Oregon
March 8, 2017

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BOYS AND GIRLS CLUBS OF WESTERN LANE COUNTY
STATEMENTS OF FINANCIAL POSITION (Reviewed)
Year Ended December 31, 2015

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 26,737	\$ 60,000	\$ 86,737
Accounts Receivable	-	-	-
Grants Receivable	-	-	-
TOTAL CURRENT ASSETS	26,737	60,000	86,737
PROPERTY AND EQUIPMENT, NET	532,901	-	532,901
TOTAL ASSETS	<u>\$ 559,638</u>	<u>\$ 60,000</u>	<u>\$ 619,638</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts Payable	\$ 7,482	\$ -	\$ 7,482
Payroll Related Liabilities	3,502	-	3,502
Line of Credit	-	-	-
Current Portion of Long-Term Debt	6,724	-	6,724
TOTAL CURRENT LIABILITIES	17,708	-	17,708
LONG-TERM DEBT, NET	169,802	-	169,802
TOTAL LIABILITIES	187,510	-	187,510
NET ASSETS			
Temporarily Restricted Net Assets	-	60,000	60,000
Unrestricted Net Assets	372,128	-	372,128
TOTAL NET ASSETS	372,128	60,000	432,128
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 559,638</u>	<u>\$ 60,000</u>	<u>\$ 619,638</u>

See Accompanying Notes and Independent Accountants' Review Report

BOYS AND GIRLS CLUBS OF WESTERN LANE COUNTY
STATEMENTS OF FINANCIAL POSITION (Reviewed)-Continued
Year Ended December 31, 2014

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 19,253	\$ -	\$ 19,253
Accounts Receivable	6,961	-	6,961
Grants Receivable	10,656	-	10,656
TOTAL CURRENT ASSETS	36,870	-	36,870
PROPERTY AND EQUIPMENT, NET	549,515	-	549,515
TOTAL ASSETS	<u>\$ 586,385</u>	<u>\$ -</u>	<u>\$ 586,385</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts Payable	\$ 63,021	\$ -	\$ 63,021
Payroll Related Liabilities	24,556	-	24,556
Line of Credit	94,387	-	94,387
Current Portion of Long-Term Debt	5,131	-	5,131
TOTAL CURRENT LIABILITIES	187,095	-	187,095
LONG-TERM DEBT, NET	119,769	-	119,769
TOTAL LIABILITIES	306,864	-	306,864
NET ASSETS			
Temporarily Restricted Net Assets	-	-	-
Unrestricted Net Assets	279,521	-	279,521
TOTAL NET ASSETS			
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 586,385</u>	<u>\$ -</u>	<u>\$ 586,385</u>

See Accompanying Notes and Independent Accountants' Review Report

BOYS GIRLS CLUBS OF WESTERN LANE COUNTY
STATEMENTS OF ACTIVITIES (Reviewed)
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>
OPERATING REVENUE AND SUPPORT			
Program Fees	\$ 73,580	\$ -	\$ 73,580
Grants	24,096	-	24,096
Contributions	204,351	60,000	264,351
Special Events	55,449	-	55,449
Miscellaneous	6,960	-	6,960
TOTAL OPERATING REVENUE AND SUPPORT	364,436	60,000	424,436
OPERATING EXPENSES			
Program Services	75,869	-	75,869
Management and General	121,738	-	121,738
Fundraising	10,351	-	10,351
TOTAL OPERATING EXPENSES	207,958	-	207,958
CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS	156,478	60,000	216,478
CHANGE IN NET ASSETS FROM DISCONTINUED OPERATIONS	(63,871)	-	(63,871)
NET ASSETS - BEGINNING OF YEAR	279,521	-	279,521
MERGER AND ACQUISITIONS	-	-	-
NET ASSETS - END OF YEAR	<u>\$ 372,128</u>	<u>\$ 60,000</u>	<u>\$ 432,128</u>

See Accompanying Notes and Independent Accountants' Review Report

**BOYS GIRLS CLUBS OF WESTERN LANE COUNTY
STATEMENTS OF ACTIVITIES (Reviewed)-Continued
Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>
OPERATING REVENUE AND SUPPORT			
Program Fees	\$ 34,419	\$ -	\$ 34,419
Grants	212,330	-	212,330
Contributions	81,879	-	81,879
Special Events	90,730	-	90,730
Miscellaneous	6,725	-	6,725
TOTAL OPERATING REVENUE AND SUPPORT	426,083	-	426,083
OPERATING EXPENSES			
Program Services	151,355	-	151,355
Management and General	212,663	-	212,663
Fundraising	23,644	-	23,644
TOTAL OPERATING EXPENSES	387,662	-	387,662
CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS	38,421	-	38,421
CHANGE IN NET ASSETS FROM DISCONTINUED OPERATIONS	(110,104)	-	(110,104)
NET ASSETS - BEGINNING OF YEAR	39,739	-	39,739
MERGER AND ACQUISITIONS	311,465	-	311,465
NET ASSETS - END OF YEAR	<u>\$ 279,521</u>	<u>\$ -</u>	<u>\$ 279,521</u>

See Accompanying Notes and Independent Accountants' Review Report

BOYS GIRLS CLUBS OF WESTERN LANE COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES (Reviewed)
Year Ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2015 Total</u>
Advertising and Promotion	\$ -	\$ 4,671	\$ -	\$ 4,671
Bank Fees	-	2,136	-	2,136
Contracted Services and Professional Fees	-	20,136	-	20,136
Depreciation	-	9,073	-	9,073
Dues and Fees	-	3,783	-	3,783
Event Costs	5,370	1,470	10,351	17,191
Insurance	5,506	2,895	-	8,401
Interest Expense	-	7,950	-	7,950
Miscellaneous	-	11,059	-	11,059
Payroll, Taxes and Benefits	55,826	50,299	-	106,125
Printing, Postage, and Publications	94	769	-	863
Rent, Occupancy and Related Charges	-	9,981	-	9,981
Supplies	-	6,589	-	6,589
Travel and Entertainment	-	-	-	-
Total Expenses	<u>\$ 66,796</u>	<u>\$ 130,811</u>	<u>\$ 10,351</u>	<u>\$ 207,958</u>

See Accompanying Notes and Independent Accountants' Review Report

BOYS GIRLS CLUBS OF WESTERN LANE COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES (Reviewed)-Continued
Year Ended December 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2014 Total</u>
Advertising and Promotion	\$ -	\$ 2,923	\$ 368	\$ 3,291
Bank Fees	222	10,543	-	10,765
Contracted Services and Professional Fees	-	12,920	-	12,920
Depreciation	8,273	-	-	8,273
Dues and Fees	-	4,545	-	4,545
Event Costs	12,280	5,216	21,324	38,820
Insurance	5,274	2,611	-	7,885
Interest Expense	1,466	3,919	-	5,385
Miscellaneous	847	3,499	1,507	5,853
Payroll, Taxes and Benefits	122,677	144,929	-	267,606
Printing, Postage, and Publications	51	2,871	445	3,367
Rent, Occupancy and Related Charges	256	16,159	-	16,415
Supplies	9	1,403	-	1,412
Travel and Entertainment	-	1,125	-	1,125
Total Expenses	<u>\$ 151,355</u>	<u>\$ 212,663</u>	<u>\$ 23,644</u>	<u>\$ 387,662</u>

See Accompanying Notes and Independent Accountants' Review Report

BOYS & GIRLS CLUBS OF WESTERN LANE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Boys & Girls Clubs of Western Lane County (the Club) is a nonprofit youth guidance agency. It is a local chapter of the Boys & Girls Club of America, and has served the area's youth, ages six to eighteen since 1996. During 2013, the Club began operating ABC Preschool and expanded services for ages 30 months through preschool. The Club promotes the health, social, education, vocational, and character development of each member and provides a variety of wholesome, adult-guided activities, and services at a minimal cost.

Merger and Acquisitions

Effective January 31, 2014, the Club merged with Quality Child Care of Florence (QCCF), another nonprofit organization that offered child care and a learning environment designed to meet the needs of infants, toddlers and pre-school children. QCCF determined in late 2013 that its financial challenges in continuing operations were too substantial to continue in its current form. The two organizations merged with the hopes to reduce overhead and increase efficiency. The Club received net property and equipment of \$353,589, assumed short term notes payable of \$40,111 and payroll liabilities of \$2,013. In 2015, the ABC Preschool and Quality Child Care programs were discontinued due to lack of funding. See further information under discontinued operations.

Basis of Accounting

The financial statements of the Club have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation flows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958, *Not-For-Profit Organizations*. Under ASC 958, the Club is required to report information regarding its financial position and activities per three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by ACS 958, the Club does not use fund accounting.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Club and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor imposed stipulations.

Public Support and Revenue

The Club is supported primarily through donor contributions, grants, and fund raising activities. Campaign contributions are generated through mail solicitations and special event activities. Contributions are recognized upon receipt. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the calendar year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

BOYS & GIRLS CLUBS OF WESTERN LANE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Contributed Services and Noncash Assets

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of donated noncash assets are recorded at their fair values in the period received.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Club considers petty cash and all demand deposits to be cash and cash equivalents. Cash held by financial institutions is insured by the Federal Deposit Insurance Corporation up to \$250,000 for each institution. The balance held by these financial institutions did not exceed the insured amount during the periods ended December 31, 2015 and December 31, 2014.

Property and Equipment

It is the Club's policy to capitalize property and equipment over \$500. All significant acquisitions and renovations which increase the value of assets are capitalized. All expenditures for repairs and maintenance are expensed in the period in which the cost is incurred. Purchased property and equipment is capitalized at cost. Buildings, vehicles, and equipment are depreciated using the straight-line method over the estimated useful lives ranging from five to thirty-nine years. Depreciation expense for the years ended December 31, 2015 and 2014 was \$16,614 and \$28,346, respectively.

Some of the assets acquired through the Quality Child Care of Florence merger were originally depreciated using the MACRS method of depreciation, a method commonly used in tax preparation. The depreciation on those assets have been recalculated using the straight-line method.

Donated Assets

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or use. Absent donor stipulations regarding how long the donated asset must be maintained, the Club reports expirations of donor restrictions when the donated assets are placed in service.

Compensated Absences

The Club provides paid leave benefits to its full-time employees. The unpaid leave balances as of December 31, 2015 and December 31, 2014 were \$625 and \$16,607, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BOYS & GIRLS CLUBS OF WESTERN LANE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Discontinued Operations

In 2015, the Club decided to close the programs of ABC Preschool and Quality Child Care of Florence due to lack of community funding. These programs were to provide childcare for pre-school age and under. Effective July 1, 2015, the Club returned its focus to its mission of supporting children age six to eighteen years old. These programs were not discontinued operations as of December 31, 2014. The 2014 statement of activities has been re-presented to show the discontinued operations separately from continuing operations.

Results of discontinued operations:

	<u>2015</u>	<u>2014</u>
Operating Revenue and Support		
Program Fees	\$ 112,260	\$ 207,659
Grants	-	37,589
Contributions	285	14,711
Special Events	3,265	849
Miscellaneous	4,933	28,414
Total Operating Revenue and Support	<u>120,743</u>	<u>289,222</u>
Operating Expenses		
Depreciation	7,540	20,072
Insurance	2,108	3,183
Payroll, Taxes and Benefits	158,132	341,200
Miscellaneous	-	4,209
Rent, Occupancy and Related Charges	13,256	19,424
Supplies	3,578	11,238
Total Operating Expenses	<u>184,614</u>	<u>399,326</u>
Change in Net Assets from Discontinued Operations	<u>\$ (63,871)</u>	<u>\$ (110,104)</u>
Cash flows used in discontinued operations:		
Net cash used in operating activities	<u>\$ (56,330)</u>	<u>\$ (90,032)</u>

Advertising

The Club expenses advertising costs as incurred. Advertising was \$8,565 for the year ended December 31, 2014 and \$4,671 for the year ended December 31, 2015.

BOYS & GIRLS CLUBS OF WESTERN LANE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Income Taxes

The Boys & Girls Clubs is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes and classified by the Internal Revenue Service as other than a private foundation.

The Club follows accounting standards for uncertain income tax positions. The Club will recognize in its financial statements the benefit of a tax position when it believes that tax position will more likely than not be sustained on audit based on the technical merits of the position. For an exempt organization, uncertain tax positions could result from unrelated business income activities or actions that jeopardize its status as tax-exempt, such as political activity, substantial lobbying expenditures or excessive unrelated business activities. The Club has concluded that it had no unrecognized income tax benefits at December 31, 2015, and it has no tax positions for which it estimates a significant change over the next 12 months.

The Club's federal exempt organization business income tax returns for 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they are submitted.

Date of Management's Review

Management has evaluated subsequent events through March 8, 2017, the date on which the financial statements were available to be issued.

2. RESTRICTIONS ON NET ASSETS

As of December 31, 2015, \$60,000 of donated contributions were restricted for future use. There were no such restricted net assets for the year ending December 31, 2014.

3. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

	<u>2015</u>	<u>2014</u>
Assets Held for Use:		
Land	\$ 50,000	\$ 50,000
Building and Improvements	209,823	209,823
Furniture and Equipment	26,200	26,200
Vehicles	9,731	9,731
Total	<u>295,754</u>	<u>295,754</u>
Idle Assets as of December 31, 2015:		
Land Improvements	163,154	163,154
Buildings	203,716	203,716
Furniture and Equipment	20,266	20,266
Total	<u>387,136</u>	<u>387,136</u>
Accumulated Depreciation	<u>(149,989)</u>	<u>(133,375)</u>
Property and Equipment, Net	<u>\$ 532,901</u>	<u>\$ 549,515</u>

BOYS & GIRLS CLUBS OF WESTERN LANE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

4. LINE OF CREDIT

In 2008, the Club established a line of credit with US Bank for the purpose of short-term working capital that was personally guaranteed by two board members. The Club was authorized to borrow \$55,700 with an interest rate of prime plus 2 percent subject to annual increases. The Club was required to make monthly minimum payments. The balance due on the line of credit was \$61,832 as of December 31, 2014, and the interest rate was 5.9 percent prior to being paid off in 2015.

In October 2014, the Club established a short-term loan of \$8,000, to assist with working capital. The interest rate was 5.0 percent prior to being paid off in 2015.

In 2014, the Club assumed a line of credit of Quality Child Care of Florence upon the merger. The Club was required to make monthly minimum payments. The balance due on the line of credit was \$24,554 as of December 31, 2014, and the interest rate was 4.25 percent prior to being paid off in 2015.

5. LONG-TERM DEBT

Long Term Debt Consists of:	<u>2015</u>	<u>2014</u>
Note payable to Oregon Pacific Bank. The note was secured by all assets of the Club. The note is payable in monthly installments of \$626, with an interest rate of 2.08% before it was refinanced in 2015.	\$ -	\$ 108,068
Note payable to Oregon Pacific Bank. The note is secured by all assets of the Club. The note is payable in monthly installments of \$715, including a variable interest rate, currently at 2.16 percent. The note matures March 2018.	161,240	-
Systems Development Charge payable to the City of Florence. This note was assumed in the merger with Quality Child Care of Florence and is payable in semiannual installments of \$1,214 including an interest rate of 5.27 percent. The note matures December 2023.	<u>15,286</u>	<u>16,832</u>
Total Notes Payable	176,526	124,900
Less Current Portion of Notes Payable	<u>6,724</u>	<u>5,131</u>
Long Term Portion of Notes Payable	<u>\$ 169,802</u>	<u>\$ 119,769</u>

Annual maturities of the notes payable outstanding at December 31, 2015 are as follows:

<u>Year ending December 31,</u>	
2016	\$ 6,724
2017	6,980
2018	7,188
2019	7,403
2020	7,625
Thereafter	<u>140,606</u>
Total	<u>\$ 176,526</u>

BOYS & GIRLS CLUBS OF WESTERN LANE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

6. LEASES

The Club has entered non-cancelable leases for office and program space under agreements with Siuslaw School District for \$300 a month. The lease matures May 2019. Total occupancy lease expense for the years ended December 31, 2015 and December 31, 2014 were \$7,623 and \$6,950, respectively.

The Club leases a copier under a sixty-month operating lease. The monthly rental for 2014 was \$227 and \$249 in 2015 before the lease was canceled at the end of 2015. The total costs for the equipment rental for the years ended December 31, 2015 and December 31, 2014 was \$5,563 and \$2,232, respectively.

The future minimum payments for the lease are as follows:

<u>Year ending December 31,</u>	
2016	\$ 3,600
2017	3,600
2018	3,600
2019	<u>1,500</u>
Total	<u>\$ 12,300</u>

7. CONCENTRATIONS

The Club's operations are concentrated in Florence, Oregon. In 2014, a significant portion of the Club's revenues for continuing operations are from a federal grant. This revenue was approximately 16% of the Club's 2014 total revenue. In 2015, a significant portion of the Club's revenues for continuing operations are from an individual donor. This revenue was approximately 31% of the Club's 2015 total revenue.

8. SUBSEQUENT EVENTS

In 2017, the Club has decided to move modular buildings from a public school property to a property owned by the Club. By doing so, they will be abandoning land improvements made to the site the modular buildings are on.

In January 2016, an individual donor assigned two promissory notes secured by Deed of Trust to the Club. The principle balances of these notes at the date of assignment were \$15,840 and \$295,600.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise indicated, the fair value of all reported assets and liabilities which represent financial instruments, (none of which are held for trading purposes), approximate the Level 1 carrying value of the three levels of the hierarchy.

10. RECLASSIFICATIONS

Certain comparative amounts in the consolidated statement of activities have been reclassified to conform with the current year's presentation. In addition, the 2014 comparative statement of activities has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year.