

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF
THE TWIN CITIES FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2016 AND 2015

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
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YEARS ENDED AUGUST 31, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Boys and Girls Clubs of the Twin Cities and
Boys and Girls Club of the Twin Cities Foundation
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Boys and Girls Clubs of the Twin Cities and Boys and Girls Club of the Twin Cities Foundation (nonprofit organizations), which comprise the consolidated balance sheets as of August 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Board of Directors
Boys and Girls Clubs of the Twin Cities and
Boys and Girls Club of the Twin Cities Foundation

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of the Twin Cities and Boys and Girls Club of the Twin Cities Foundation as of August 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 8, 2016

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED BALANCE SHEETS
AUGUST 31, 2016 AND 2015**

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 816,422	\$ 380,200
Receivables	94,816	105,446
Pledges and Grants Receivable	421,218	469,919
Remainder Trust Receivable	91,000	97,000
Prepaid Expenses	93,863	77,925
Investments	7,203,743	7,233,568
Cash Surrender Value of Life Insurance Policies	100,600	92,000
Community Foundation Funds	173,354	174,982
Fixed Assets - Net	12,518,406	13,099,350
 Total Assets	 \$ 21,513,422	 \$ 21,730,390
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 208,465	\$ 129,715
Fiscal Agent Payable	221,384	190,860
Accrued Expenses	160,483	132,977
Deferred Revenue	149,100	154,900
Lines of Credit	-	8,581
Notes Payable	695,394	829,118
Total Liabilities	1,434,826	1,446,151
NET ASSETS		
Unrestricted	8,617,630	8,900,881
Unrestricted - Board Designated	165,405	88,057
Subtotal - Unrestricted	8,783,035	8,988,938
Temporarily Restricted	6,807,206	6,805,318
Permanently Restricted	4,488,355	4,489,983
Total Net Assets	20,078,596	20,284,239
 Total Liabilities and Net Assets	 \$ 21,513,422	 \$ 21,730,390

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OPERATING - REVENUE, GAINS, AND OTHER SUPPORT				
Contributions, Including In-Kind Contributions of \$43,372 and \$149,982, Respectively	\$ 2,083,212	\$ 41,675	\$ 10,000	\$ 2,134,887
Special Events, Net of Expenses of \$296,179 and \$249,291, Respectively	853,375	-	-	853,375
Grants and Contracts	1,155,168	86,000	-	1,241,168
Program Fees	225,974	8,621	-	234,595
Investment Income	961	-	-	961
Change in Value of Split Interest Agreements	-	2,600	-	2,600
Rental Income	22,316	850	-	23,166
Other Income	37	-	-	37
Net Assets Released from Restrictions - Operating	659,964	(659,964)	-	-
Total Operating - Revenue, Gains, and Other Support	5,001,007	(520,218)	10,000	4,490,789
EXPENSES				
Program Services	4,263,673	-	-	4,263,673
Support Services:				
Administration	503,379	-	-	503,379
Fundraising	681,961	-	-	681,961
Total Support Services	1,185,340	-	-	1,185,340
Total Expenses	5,449,013	-	-	5,449,013
CHANGE IN NET ASSETS OPERATING	(448,006)	(520,218)	10,000	(958,224)
NON-OPERATING				
Change in Value of Community Foundation	-	-	(1,628)	(1,628)
Capital Campaign Contributions	-	26,899	-	26,899
Capital Campaign Expenses	(4,220)	-	-	(4,220)
Capital Grants for Clubs	133,014	67,224	-	200,238
Capital Expenses for Clubs	(2,239)	-	-	(2,239)
Gain on Disposal of Assets	3,500	-	-	3,500
Capital Government Grants for Clubs	52,048	-	-	52,048
Investment Income	-	477,983	-	477,983
Net Assets Released from Restrictions - Capital	60,000	(50,000)	(10,000)	-
Change in Net Assets Non-Operating	242,103	522,106	(11,628)	752,581
TOTAL CHANGE IN NET ASSETS	(205,903)	1,888	(1,628)	(205,643)
Net Assets - Beginning of Year	8,988,938	6,805,318	4,489,983	20,284,239
NET ASSETS - END OF YEAR	<u>\$ 8,783,035</u>	<u>\$ 6,807,206</u>	<u>\$ 4,488,355</u>	<u>\$ 20,078,596</u>

See accompanying Notes to Consolidated Financial Statements.

2015			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,023,143	\$ 120,765	\$ 20,700	\$ 2,164,609
762,489	-	-	762,489
1,018,631	3,500	-	1,022,131
253,059	8,857	-	261,916
280	-	-	280
-	(13,800)	-	(13,800)
17,520	-	-	17,520
548	-	-	548
<u>605,739</u>	<u>(605,739)</u>	<u>-</u>	<u>-</u>
4,681,409	(486,416)	20,700	4,215,693
3,981,789	-	-	3,981,789
562,078	-	-	562,078
<u>593,419</u>	<u>-</u>	<u>-</u>	<u>593,419</u>
<u>1,155,497</u>	<u>-</u>	<u>-</u>	<u>1,155,497</u>
<u>5,137,286</u>	<u>-</u>	<u>-</u>	<u>5,137,286</u>
(455,877)	(486,416)	20,700	(921,593)
-	-	(10,720)	(10,720)
-	33,529	-	33,529
(8,560)	-	-	(8,560)
5,534	-	-	5,534
(3,236)	-	-	(3,236)
350	-	-	350
30,613	-	-	30,613
(25,674)	(84,025)	(210,722)	(320,421)
<u>114,034</u>	<u>(94,034)</u>	<u>(20,000)</u>	<u>-</u>
<u>113,061</u>	<u>(144,530)</u>	<u>(241,442)</u>	<u>(272,911)</u>
(342,816)	(630,946)	(220,742)	(1,194,504)
<u>9,331,754</u>	<u>7,436,264</u>	<u>4,710,725</u>	<u>21,478,743</u>
<u>\$ 8,988,938</u>	<u>\$ 6,805,318</u>	<u>\$ 4,489,983</u>	<u>\$ 20,284,239</u>

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016				
	Support Services			Total Support Services	Total
	Program Services	Administration	Fundraising		
OPERATING					
Salaries and Wages	\$ 1,743,862	\$ 236,985	\$ 442,439	\$ 679,424	\$ 2,423,286
Payroll Taxes	127,259	29,673	32,558	62,231	189,490
Benefits	313,923	39,127	61,623	100,750	414,673
Total Personnel Costs	<u>2,185,044</u>	<u>305,785</u>	<u>536,620</u>	<u>842,405</u>	<u>3,027,449</u>
Utilities	254,283	7,888	14,286	22,174	276,457
Supplies	399,646	9,242	4,527	13,769	413,415
In-Kind Program Incentives	26,205	-	-	-	26,205
Insurance	112,534	5,361	8,085	13,446	125,980
Professional Fees	103,428	115,503	46,031	161,534	264,962
Maintenance and Repairs	144,369	8,569	2,087	10,656	155,025
Interest Expense	21,044	13,545	10,565	24,110	45,154
Staff Training	8,100	1,653	4,803	6,456	14,556
National and Regional Dues	38,983	571	952	1,523	40,506
Telephone	40,521	3,336	9,022	12,358	52,879
Rent	23,000	-	-	-	23,000
In-Kind Rent	74,720	-	-	-	74,720
Travel	71,847	11,410	14,099	25,509	97,356
Postage and Printing	28,385	5,110	18,423	23,533	51,918
Scholarships	22,146	-	-	-	22,146
Other	1,233	5,865	7,160	13,025	14,258
Total Before Depreciation	<u>3,555,488</u>	<u>493,838</u>	<u>676,660</u>	<u>1,170,500</u>	<u>4,725,986</u>
Depreciation	708,185	9,541	5,301	14,842	723,027
Total Operating	<u>4,263,673</u>	<u>503,379</u>	<u>681,961</u>	<u>1,185,342</u>	<u>5,449,013</u>
NON-OPERATING					
Other	6,459	-	-	-	6,459
Total Non-Operating	<u>6,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,459</u>
SUBTOTAL BEFORE SPECIAL EVENTS	4,270,132	503,379	681,961	1,185,342	5,455,472
Special Events	-	-	296,179	296,179	296,179
Total	<u>\$ 4,270,132</u>	<u>\$ 503,379</u>	<u>\$ 978,140</u>	<u>\$ 1,481,521</u>	<u>\$ 5,751,651</u>

See accompanying Notes to Consolidated Financial Statements.

2015

Support Services				
Program Services	Administration	Fundraising	Total Support Services	Total
\$ 1,614,696	\$ 318,486	\$ 392,129	\$ 710,615	\$ 2,325,311
120,416	29,209	29,181	58,390	178,806
262,145	48,510	45,231	93,741	355,886
<u>1,997,257</u>	<u>396,205</u>	<u>466,541</u>	<u>862,746</u>	<u>2,860,003</u>
264,103	8,308	14,913	23,221	287,324
342,601	9,359	6,971	16,330	358,931
34,056	-	-	-	34,056
110,134	6,325	8,374	14,699	124,833
81,588	80,720	32,470	113,190	194,778
114,673	9,364	3,715	13,079	127,752
26,379	13,899	11,043	24,942	51,321
1,576	697	1,321	2,018	3,594
39,502	716	809	1,525	41,027
43,312	4,377	8,408	12,785	56,097
23,000	-	-	-	23,000
74,720	-	-	-	74,720
67,207	13,665	9,178	22,843	90,050
24,212	3,291	19,932	23,223	47,435
19,291	-	-	-	19,291
872	582	2,872	3,454	4,326
<u>3,264,483</u>	<u>547,508</u>	<u>586,547</u>	<u>1,134,055</u>	<u>4,398,538</u>
<u>717,307</u>	<u>14,570</u>	<u>6,872</u>	<u>21,442</u>	<u>738,749</u>
<u>3,981,789</u>	<u>562,078</u>	<u>593,419</u>	<u>1,155,497</u>	<u>5,137,287</u>
11,796	-	-	-	11,796
<u>11,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,796</u>
3,993,585	562,078	593,419	1,155,497	5,149,083
-	-	249,291	249,291	249,291
<u>\$ 3,993,585</u>	<u>\$ 562,078</u>	<u>\$ 842,710</u>	<u>\$ 1,404,788</u>	<u>\$ 5,398,374</u>

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets - Operating	\$ (958,224)	\$ (921,593)
Adjustments to Reconcile Change in Operating Net Assets to Net Cash Provided (Used) by Operating Activities:		
Net Non-Operating Activity	752,581	(272,911)
Depreciation	723,027	738,749
Amortization of Donated Building Lease	74,720	74,720
Donated Fixed Assets	(17,167)	(115,926)
Gain on Disposal of Fixed Assets	(3,500)	(350)
Realized Gain on Investments	(350,516)	(18,813)
Unrealized (Gain) Loss on Investments	(6,776)	499,763
Change in Cash Surrender Value of Life Insurance Policies	(8,600)	6,800
Change in Value of Remainder Trust Receivable	6,000	7,000
Change in Value of Community Foundation Assets	1,628	10,720
Contributions for Long-Term Purposes	(26,899)	(33,529)
Change in Present Value Discount on Pledges and Grants Receivable	1,900	7,529
(Increase) Decrease in Current Assets:		
Receivables	10,630	(11,788)
Pledges and Grants Receivable	46,801	236,981
Prepaid Expenses and Other Current Assets	(15,938)	(12,710)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	78,750	(181,217)
Fiscal Agent Payable	30,524	10,652
Accrued Expenses	27,506	7,627
Deferred Revenue and Advances	(5,800)	(94,250)
Net Cash Provided (Used) by Operating Activities	360,647	(62,546)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Marketable Securities	(2,023,460)	(185,982)
Sales of Marketable Securities	2,410,577	227,341
Purchase of Fixed Assets	(196,136)	(91,607)
Net Cash Provided (Used) by Investing Activities	190,981	(50,248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Notes Payable	(133,724)	(127,972)
Contributions for Long-Term Purposes	26,899	88,471
Net Change in Line of Credit	(8,581)	(142,135)
Net Cash Used by Financing Activities	(115,406)	(181,636)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	436,222	(294,430)
Cash and Cash Equivalents - Beginning of Year	380,200	674,630
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 816,422	\$ 380,200
SUPPLEMENTAL INFORMATION		
Donated Fixed Assets	\$ 17,167	\$ 115,926
Cash Paid for Interest	\$ 45,154	\$ 51,321

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Activities

Boys and Girls Clubs of the Twin Cities (the Clubs) is a nonprofit organization which provides programs to build character for boys and girls, ages 6 through 18. These programs are provided through eight urban Twin Cities youth facilities and one camp facility located outside of the Twin Cities metropolitan area. Substantially all of the Clubs' activities are financed by public support.

Boys and Girls Club of the Twin Cities Foundation (the Foundation) was incorporated to, among other matters, advance, support, and promote the growth and development of the Clubs. In January 1986, the Clubs transferred all assets of the Living Memorial Endowment Fund and the Boys and Girls Clubs of Minneapolis Endowment Fund to the Foundation. In March 1998, the Clubs transferred \$98,113 to the Foundation to be used to fund scholarships. The Foundation has agreed to abide by all restrictions imposed by the donors as to the use of these funds and the related investment income.

All members of the Foundation's Board of Directors are also members of the Clubs' Board of Directors. Because of this common control of the two entities, the accompanying financial statements present the balance sheet and activities of the Clubs and the Foundation on a consolidated basis.

The consolidated financial statements include the accounts of the Clubs and the Foundation (collectively referred to as the "Organization"). All significant inter-fund transactions have been eliminated.

Basis of Presentation

Net assets and revenues, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to donor-imposed restrictions that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation or related investments for unrestricted or temporarily restricted purposes.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Operating Income and Expense

Non-operating income and expense includes the investment income of the Foundation, the change in value of community foundation funds, gain or loss on disposal of assets, and capital campaign activities.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash deposits, receivables, and investments. The Organization maintains cash reserves and cash balances in one financial institution. At times, the amounts on deposit may exceed federally insured limits. With respect to investments, the Organization places its investments with one financial institution.

At August 31, 2016, approximately 34% of the pledges and grants receivable balance was attributed to two contributors. At August 31, 2015, approximately 51% of the pledges and grants receivable balance was attributed to three contributors.

Cash and Cash Equivalents

The Organization considers all highly liquid securities purchased with an original maturity of 90 days or less to be cash equivalents.

Accounts Receivable

Receivables are recorded at their net realizable value. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. An allowance is provided for accounts when a significant pattern of uncollectibility has occurred. No allowance for bad debts was recorded at August 31, 2016 and 2015.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges and Grants Receivable

Pledges and grants that are expected to be collected within one year are recorded at their net realizable value. Grants and pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until such time as the conditions are substantially met. An allowance of \$-0- and \$25,000 for bad debts was recorded at August 31, 2016 and 2015, respectively.

Remainder Trust Receivable

Charitable remainder trusts are recognized as temporarily restricted revenue and as a receivable at the present value of the estimated future benefits to be received when the trust assets are distributed. Any changes in the value of the trust agreements will be reported as a change in the value of trust agreements. Two charitable remainder trusts have been recorded at present value of approximately \$91,000 and \$97,000 at August 31, 2016 and 2015, respectively. The present value has been discounted at 7.25%.

Investments

The Organization carries its investments at market value and realized and unrealized gains and losses are reflected in the consolidated statements of activities. Mutual funds, real estate, and complementary strategies consist of equities mutual funds, real estate funds, and alternative funds carried at quoted market values. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

Capitalization Policy and Depreciation

The Organization capitalizes land, buildings, and equipment in excess of \$1,000 cost per item. Facilities that are leased for rent below market rate are recorded at fair value and are recorded in temporarily restricted net assets. Donated fixed assets are capitalized at their fair market value or appraised value. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted. Costs of current repairs and minor replacements are charged to expense as incurred.

The Organization provides for depreciation of buildings and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and Leasehold Improvements	15 – 30 Years
Donated Building Use and Land Leases	50 Years
Furniture and Equipment	5 – 10 Years
Software	3 Years
Vehicles	4 Years

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue consists of sponsorships and ticket revenue received in advance of the Benefit.

Governmental Grants and Contracts

Governmental grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Expenditures under governmental contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Contributions

Contributions, unconditional promises to give (pledges receivable), and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. It is the Organization's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class.

Donated Goods and Services

Donated goods and services are valued at their fair market value and are presented as revenue and offsetting program costs.

Functional Expenses

The costs of programs and supporting services have been summarized on a functional basis. Salaries and related expenses are allocated to program and supporting services based on estimated time spent on each program. The remaining expenses are specifically allocated whenever practical and, when this is impractical, are allocated based on the best estimates of management and the board of directors.

Income Tax Status

Both organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. The Internal Revenue Service determined the organizations are not private foundations. The organizations are public charities and contributions to the organizations qualify as charitable tax deductions by the contributor.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

The Organization follows guidance in the Accounting for Uncertainty in Income Taxes Standard. The Organization has no current obligation for unrelated business income tax.

Fair Value Measurement

The Organization accounts for its investments at fair value. The Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes long/short funds, private equity, venture capital, hedge fund, and real assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 8, 2016, the date the consolidated financial statements were available to be issued.

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NOTE 2 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consist of the following at August 31:

<u>2016</u>	<u>Clubs</u>	<u>Foundation</u>	<u>Total</u>
Pledges and Grants Receivable Due Within One Year	\$ 411,218	\$ -	\$ 411,218
Pledges and Grants Receivable Due Within One to Five Years	10,000	-	10,000
Gross Pledges and Grants Receivable	421,218	-	421,218
Present Value Discount - 5%	-	-	-
Allowance for Uncollectible Pledges	-	-	-
Net Pledges and Grants Receivable	<u>\$ 421,218</u>	<u>\$ -</u>	<u>\$ 421,218</u>
<u>2015</u>	<u>Clubs</u>	<u>Foundation</u>	<u>Total</u>
Pledges and Grants Receivable Due Within One Year	\$ 476,819	\$ -	\$ 476,819
Pledges and Grants Receivable Due Within One to Five Years	20,000	-	20,000
Gross Pledges and Grants Receivable	496,819	-	496,819
Present Value Discount - 5%	(1,900)	-	(1,900)
Allowance for Uncollectible Pledges	(25,000)	-	(25,000)
Net Pledges and Grants Receivable	<u>\$ 469,919</u>	<u>\$ -</u>	<u>\$ 469,919</u>

NOTE 3 INVESTMENTS

Investments consist of the following at August 31:

<u>2016</u>	<u>Clubs</u>	<u>Foundation</u>	
		<u>Cost</u>	<u>Market</u>
Bonds and Bond Mutual Funds	\$ -	\$ 1,865,705	\$ 1,874,183
Mutual Funds - Equities	-	2,772,716	3,857,113
Real Estate Funds	-	551,495	641,944
Complementary Strategies	-	818,241	830,503
Total Investments	<u>\$ -</u>	<u>\$ 6,008,157</u>	<u>\$ 7,203,743</u>
<u>2015</u>	<u>Clubs</u>	<u>Foundation</u>	
		<u>Cost</u>	<u>Market</u>
Bonds and Bond Mutual Funds	\$ -	\$ 1,770,691	\$ 1,700,971
Mutual Funds - Equities	-	3,172,731	4,392,842
Real Estate Funds	-	353,054	354,163
Complementary Strategies	-	748,282	785,592
Total Investments	<u>\$ -</u>	<u>\$ 6,044,758</u>	<u>\$ 7,233,568</u>

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NOTE 3 INVESTMENTS (CONTINUED)

Investment income consists of the following at August 31:

	2016		
	Clubs	Foundation	Total
Interest and Dividends	\$ 961	\$ 179,795	\$ 180,756
Realized Gains	-	350,516	350,516
Unrealized Gains	-	6,776	6,776
Gross Investment Income	961	537,087	538,048
Less: Investment Fee Expenses	-	(59,104)	(59,104)
Net Investment Income	<u>\$ 961</u>	<u>\$ 477,983</u>	<u>\$ 478,944</u>

	2015		
	Clubs	Foundation	Total
Interest and Dividends	\$ 280	\$ 224,695	\$ 224,975
Realized Gains	-	18,813	18,813
Unrealized Losses	-	(499,763)	(499,763)
Gross Investment Income	280	(256,255)	(255,975)
Less: Investment Fee Expenses	-	(64,166)	(64,166)
Net Investment Income	<u>\$ 280</u>	<u>\$ (320,421)</u>	<u>\$ (320,141)</u>

All investment income of the Clubs is included in operating income, and all investment income of the Foundation is included in non-operating income.

NOTE 4 FIXED ASSETS

Fixed assets consist of the following at August 31:

	2016 Clubs	2015 Clubs
Land and Improvements	\$ 621,559	\$ 542,651
Building and Leasehold Improvements	16,785,266	16,798,807
Donated Building Use and Land Lease	2,768,888	2,843,608
Furniture and Equipment	2,921,272	2,901,512
Subtotal	23,127,546	23,086,578
Accumulated Depreciation	(10,609,140)	(9,987,228)
Fixed Assets, Net	<u>\$ 12,518,406</u>	<u>\$ 13,099,350</u>

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NOTE 5 NOTES PAYABLE AND LINE OF CREDIT

The following schedule of notes payable reflects the current value of outstanding loans at August 31:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Note Payable - \$740,000 fixed interest at 4.05%. Monthly principal and interest payments of \$5,515 for 59 months and one balloon payment at time of maturity. Loan secured by property and equipment. Note matures on July 16, 2019.	\$ 662,426	\$ 700,473
Note Payable - \$327,235, fixed interest at 5.00%; unsecured. Monthly principal and interest payments of \$8,328 for 43 months. Note matures on December 31, 2016.	<u>32,968</u>	<u>128,645</u>
Total	<u><u>\$ 695,394</u></u>	<u><u>\$ 829,118</u></u>

The future annual debt payments consist of the following:

<u>Year Ending August 31,</u>	<u>Amount</u>
2017	\$ 72,685
2018	41,379
2019	<u>581,330</u>
Total	<u><u>\$ 695,394</u></u>

The Organization entered into a business line of credit agreement with a limit of \$250,000. Effective March 3, 2016, this agreement was renewed and expires on January 31, 2018. Interest on the line of credit is the financial institution's index plus 1.00%, with an interest rate of no less than 4.5% (4.5% at August 31, 2016) and is secured by a mortgage on certain property. Outstanding balance was \$-0- and \$8,581 at August 31, 2016 and 2015, respectively.

The Organization entered into a business line of credit with a limit of \$300,000. Effective March 3, 2016, this agreement was renewed and expires on January 31, 2018. Interest on the line of credit is the financial institution's index plus 1.00%, with an interest rate of no less than 4.5% (4.5% at August 31, 2015) and is secured by a mortgage on certain property. There was an outstanding balance of \$-0- for both years ended of August 31, 2016 and 2015.

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NOTE 6 LEASES

On August 1, 1993, the City of St. Paul and the Boys and Girls Clubs entered into a 30-year lease with the option to renew the lease for two successive terms of 10 years for land for the East Side Club. The yearly rental rate is \$1. The fair value of this land was appraised at \$1,130,000. The value of the land usage had been recorded at fair market value at the date of donation and is being amortized over the 50-year lease term. Accumulated amortization as of August 31, 2016 and 2015 was \$521,682 and \$499,082, respectively. Rent expense was \$22,600 for 2016 and 2015.

On June 1, 1996, the Organization entered into a lease with the City of St. Paul for land for the West Side Club. The lease is a 30-year lease with the option to renew for two successive terms of 10 years. The yearly rental rate is \$1. The fair value of the property had been appraised at \$606,000. The value of the land usage has been recorded at fair market value and is being amortized over the 50-year term. Accumulated amortization as of August 31, 2016 and 2015 was \$245,430 and \$233,310, respectively. Rent expense was \$12,120 for 2016 and 2015.

During the year ended August 31, 2012, the Organization entered into a lease with the City of St. Paul for the building for the Mount Airy Club and Administrative Center. The lease is a 30-year lease with the option to renew for two successive terms of 10 years. The yearly rental rate is \$1. The fair value of the property had been estimated at \$2,000,000. The value of the building usage had been reflected as in-kind revenue in 2012 at its fair market value and is being amortized over the 50-year lease term. Accumulated amortization as of August 31, 2016 and 2015 was \$200,000 and \$160,000, respectively. Rent expense was \$40,000 for 2016 and 2015.

On July 1, 2014, the Organization entered into a 10-year lease with the City of Minneapolis for the Phelps Park Building with an option to renew for two successive terms of five years each. The yearly rental rate is \$23,000 and can be adjusted every year based on the consumer price index. Rent expense was \$20,000 in 2016 and 2015.

The Organization also has several operating equipment leases. Minimum lease payments under space and equipment leases are as follows for the years ending August 31:

<u>Year Ending August 31,</u>	<u>Amount</u>
2017	\$ 46,102
2018	36,585
2019	34,801
2020	26,979
2021	23,875
Thereafter	67,083
Total	<u>\$ 235,425</u>

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NOTE 6 LEASES (CONTINUED)

Lease Income

Starting in May 2012, the Organization signed a sublease and started collecting rental payments from a tenant with commitment signed through April 2016. The lease was not renewed.

In July 2015, the Organization signed a sublease and started collecting rental payments from a second tenant signed through June 2017. Future rental lease payments are \$850 a month.

NOTE 7 EMPLOYEE BENEFIT PLAN

The Clubs offer a tax-deferred annuity 403(b) plan to all eligible employees under which eligible employees may contribute 25% of their salary not to exceed annual IRS limitations. The Clubs match \$.50 for every \$1.00 of employee contributions up to 3% of the employees' salary. All employee contributions are fully vested. The Clubs' contributions vest 20% per year of eligible service after two years. Full vesting occurs after five years of eligible service. The pension expense was \$38,093 and \$37,540 for the years ended August 31, 2016 and 2015, respectively.

NOTE 8 NET ASSETS

Unrestricted - Board Designated

The board of directors have designated by board action \$165,405 and \$88,057 to be used for scholarships in 2016 and 2015, respectively.

Temporarily Restricted

Net assets temporarily restricted consist of the following donor restrictions:

	2016		
	Clubs	Foundation	Total
Donated Building Lease	\$ 2,768,888	\$ -	\$ 2,768,888
Donor Advisory Fund	-	2,854,822	2,854,822
Charitable Remainder Trust	91,000	-	91,000
Voyageur Camp Operations	140,297	-	140,297
Capital Campaign Contributions	92,887	-	92,887
Endowment Fund	-	398,081	398,081
Cash Surrender Value of Life Insurance	-	100,600	100,600
Other Time and Program Restrictions	360,631	-	360,631
Total	<u>\$ 3,453,703</u>	<u>\$ 3,353,503</u>	<u>\$ 6,807,206</u>

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NOTE 8 NET ASSETS (CONTINUED)

Temporarily Restricted (Continued)

	2015		
	Clubs	Foundation	Total
Donated Building Lease	\$ 2,843,608	\$ -	\$ 2,843,608
Donor Advisory Fund	-	2,865,905	2,865,905
Charitable Remainder Trust	97,000	-	97,000
Voyageur Camp Operations	141,422	-	141,422
Capital Campaign Contributions	115,988	-	115,988
Endowment Fund	-	377,112	377,112
Cash Surrender Value of Life Insurance	-	92,000	92,000
Other Time and Program Restrictions	272,283	-	272,283
Total	<u>\$ 3,470,301</u>	<u>\$ 3,335,017</u>	<u>\$ 6,805,318</u>

Net Assets Released from Restrictions

Net assets were released from donor restriction by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2016		
	Clubs	Foundation	Total
Land Usage	\$ 74,720	\$ -	\$ 74,720
Other Time and Program Restrictions	112,972	472,272	585,244
Subtotal - Operating	187,692	472,272	659,964
Capital Campaign Expenses	4,220	-	4,220
Capital Campaign - Capital Expenditures	55,780	-	55,780
Subtotal - Capital Campaign	60,000	-	60,000
Total Releases	<u>\$ 247,692</u>	<u>\$ 472,272</u>	<u>\$ 719,964</u>

	2015		
	Clubs	Foundation	Total
Land Usage	\$ 74,720	\$ -	\$ 74,720
Other Time and Program Restrictions	285,657	245,362	531,019
Subtotal - Operating	360,377	245,362	605,739
Capital Campaign Expenses	8,560	-	8,560
Capital Campaign - Capital Expenditures	105,474	-	105,474
Subtotal - Capital Campaign	114,034	-	114,034
Total Releases	<u>\$ 474,411</u>	<u>\$ 245,362</u>	<u>\$ 719,773</u>

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NOTE 8 NET ASSETS (CONTINUED)

Permanently Restricted

Permanently restricted net assets consist of the following funds at August 31:

	<u>2016</u>	Clubs	Foundation	Total
Scholarship		\$ 35,580	\$ -	\$ 35,580
Endowment Fund		-	4,279,421	4,279,421
Community Foundation (Note 13)		-	173,354	173,354
Total		<u>\$ 35,580</u>	<u>\$ 4,452,775</u>	<u>\$ 4,488,355</u>

	<u>2015</u>	Clubs	Foundation	Total
Scholarship		\$ 45,580	\$ 438,931	\$ 484,511
1971 Trust		-	75,750	75,750
Jay and Rose Phillips Endowment		-	500,000	500,000
Fiterman Endowment		-	200,000	200,000
Living Memorial 1965 Trust		-	3,054,740	3,054,740
Community Foundation (Note 13)		-	174,982	174,982
Total		<u>\$ 45,580</u>	<u>\$ 4,444,403</u>	<u>\$ 4,489,983</u>

As described in Note 10, in August of 2015, the Foundation obtained a court order to change restrictions and the spending policy for the '65 Trust, '71 Trust, Phillips and Fiterman Endowments to be considered "institutional funds" within the meaning of UPMIFA therefore all funds have now been combined into one endowment fund.

Changes in Net Assets

Changes in net assets consist of the following at August 31:

	<u>2016</u>		
	Clubs	Foundation	Total
Unrestricted	\$ (291,219)	\$ 85,316	\$ (205,903)
Temporarily Restricted	(16,598)	18,486	1,888
Permanently Restricted	(10,000)	8,372	(1,628)
Total	<u>\$ (317,817)</u>	<u>\$ 112,174</u>	<u>\$ (205,643)</u>

	<u>2015</u>		
	Clubs	Foundation	Total
Unrestricted	\$ (310,770)	\$ (32,046)	\$ (342,816)
Temporarily Restricted	(294,759)	(336,187)	(630,946)
Permanently Restricted	(20,000)	(200,742)	(220,742)
Total	<u>\$ (625,529)</u>	<u>\$ (568,975)</u>	<u>\$ (1,194,504)</u>

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NOTE 9 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis at August 31:

	2016			Total
	Level 1	Level 2	Level 3	
Investments:				
Bonds and Bond Mutual Funds	\$ 859,667	\$ 1,014,516	\$ -	\$ 1,874,183
Mutual Funds - Equities	3,857,113	-	-	3,857,113
Real Estate Securities	641,944	-	-	641,944
Complementary Strategies	830,503	-	-	830,503
Subtotal Investments	6,189,227	1,014,516	-	7,203,743
Community Foundation Funds	-	-	173,354	173,354
Remainder Trust Receivable	-	-	91,000	91,000
Total	<u>\$ 6,189,227</u>	<u>\$ 1,014,516</u>	<u>\$ 264,354</u>	<u>\$ 7,468,097</u>

	2015			Total
	Level 1	Level 2	Level 3	
Investments:				
Bonds and Bond Mutual Funds	\$ 1,521,697	\$ 179,274	\$ -	\$ 1,700,971
Mutual Funds - Equities	4,392,842	-	-	4,392,842
Real Estate Securities	354,163	-	-	354,163
Complementary Strategies	785,592	-	-	785,592
Subtotal Investments	7,054,294	179,274	-	7,233,568
Community Foundation Funds	-	-	174,982	174,982
Remainder Trust Receivable	-	-	97,000	97,000
Total	<u>\$ 7,054,294</u>	<u>\$ 179,274</u>	<u>\$ 271,982</u>	<u>\$ 7,505,550</u>

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NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets

The following tables provide summary of changes in fair value of the Organization's Level 3 financial assets for the years ended August 31:

	2016		
	Remainder Trust Receivable	Community Foundation Funds	Total
Balance as of September 1, 2015	\$ 97,000	\$ 174,982	\$ 271,982
Investment Activity:			
Investment Income	-	5,309	5,309
Interest and Dividends	-	2,604	2,604
Change in Value of Remainder Trust	(6,000)	-	(6,000)
Disbursements:			
Grants Paid	-	(7,380)	(7,380)
Administrative Fees	-	(1,515)	(1,515)
Investment Expenses	-	(646)	(646)
Balance as of August 31, 2016	<u>\$ 91,000</u>	<u>\$ 173,354</u>	<u>\$ 264,354</u>
	2015		
	Remainder Trust Receivable	Community Foundation Funds	Total
Balance as of September 1, 2014	\$ 104,000	\$ 185,702	\$ 289,702
Investment Activity:			
Investment Loss	-	(239)	(239)
Interest and Dividends	-	(1,268)	(1,268)
Change in Value of Remainder Trust	(7,000)	-	(7,000)
Proceeds from Distributed Remainder Trusts	-	-	-
Disbursements:			
Grants Paid	-	(7,096)	(7,096)
Administrative Fees	-	(1,395)	(1,395)
Investment Expenses	-	(722)	(722)
Balance as of August 31, 2015	<u>\$ 97,000</u>	<u>\$ 174,982</u>	<u>\$ 271,982</u>

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NOTE 10 ENDOWMENTS

The Organization has donor-restricted endowment funds established for the purpose of securing the Organization's long-term financial viability and continuing to meet the operational needs of the Organization. As required by U.S. general accepted accounting principles, net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors of both organizations have interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed in UPMIFA.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy called Balanced: Appreciation Biased. This strategy places a primary emphasis on potential capital appreciation through the use of a diversified selection of stocks and a very important secondary emphasis on current income through the use of bonds and stock dividends.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Clubs' programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to generate a total return which exceeds the annual payout to the Clubs plus reasonable expenses for custody and investment management plus the rate of inflation as measured by CPI over a market cycle.

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NOTE 10 ENDOWMENTS (CONTINUED)

Spending Policy

The spending policy of the Foundation was updated in April 2016 after the Foundation received a court order to consolidate all endowment funds into one fund and to adopt a spending policy for the new fund as a whole. The distribution value is now an amount equal to 5% of the fund's average of the fair market value of the fund of the preceding 12 quarters as of the close of June 30 each year. The fund's market value shall be based upon all assets in the fund including principal and retained earnings, and determined as of the last business day of the quarter.

This is consistent with the Organization's objective to generate a total return which exceeds the annual payout to the Clubs plus reasonable expenses for custody and investment management plus the rate of inflation as measured by CPI over a market cycle.

Changes in endowment net assets for the years ended August 31 were as follows:

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
Endowment Net Assets, September 1, 2015	\$ -	\$ 377,112	\$ 4,269,421	\$ 4,646,533
Investment Return:				
Investment Income		86,948	-	86,948
Net Realized and Unrealized Gains		265,210	-	265,210
Total Investment Return	-	352,158	-	352,158
Contributions	-	2,591	10,000	12,591
Appropriations of Endowment Assets for Expenditure	-	(354,437)	-	(354,437)
Reclass of Endowment Funds with Deficiencies	(20,657)	20,657	-	-
Endowment Net Assets, August 31, 2016	<u>\$ (20,657)</u>	<u>\$ 398,081</u>	<u>\$ 4,279,421</u>	<u>\$ 4,656,845</u>
<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>
Endowment Net Assets, September 1, 2014	\$ -	\$ 461,715	\$ 479,300	\$ 941,015
Investment Return:				
Investment Income	-	111,142	-	111,142
Net Realized and Unrealized Losses	-	(83,315)	-	(83,315)
Total Investment Return	-	27,827	-	27,827
Contributions	-	-	20,700	20,700
Controlled Trusts			3,769,421	3,769,421
Appropriations of Endowment Assets for Expenditure	-	(112,430)	-	(112,430)
Endowment Net Assets, August 31, 2015	<u>\$ -</u>	<u>\$ 377,112</u>	<u>\$ 4,269,421</u>	<u>\$ 4,646,533</u>

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NOTE 10 ENDOWMENTS (CONTINUED)

Spending Policy (Continued)

In August of 2015, the corporate trustee was removed from the trusts via court order. As a result, these investments are now considered institutional funds within the meaning of UPMIFA and have been included in the table above.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$20,657 and \$-0- as of August 31, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations in the endowment fund's investments and continued appropriations that were deemed prudent by the board of directors.

NOTE 11 DONATED GOODS AND SERVICES

Donated materials and services have been valued at their estimated fair value. The value of donated materials and services included in the financial statements and the corresponding expenditures are as follows:

	2016		
	Clubs	Foundation	Total
In-Kind Revenue (Contributions):			
Donated Supplies and Tickets	\$ 26,205	\$ -	\$ 26,205
Donated Fixed Assets	17,167	-	17,167
Total	<u>\$ 43,372</u>	<u>\$ -</u>	<u>\$ 43,372</u>
In-Kind Expenses:			
Program Supplies and Tickets	\$ 26,205	\$ -	\$ 26,205
Rent (See Note 6)	74,720	-	74,720
Total	<u>\$ 100,925</u>	<u>\$ -</u>	<u>\$ 100,925</u>
	2015		
	Clubs	Foundation	Total
In-Kind Revenue (Contributions):			
Donated Supplies and Tickets	\$ 34,056	\$ -	\$ 34,056
Donated Fixed Assets	115,926	-	115,926
Total	<u>\$ 149,982</u>	<u>\$ -</u>	<u>\$ 149,982</u>
In-Kind Expenses:			
Program Supplies and Tickets	\$ 34,056	\$ -	\$ 34,056
Rent (See Note 6)	74,720	-	74,720
Total	<u>\$ 108,776</u>	<u>\$ -</u>	<u>\$ 108,776</u>

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 12 RELATED PARTIES

The Clubs are required to pay dues to the Boys and Girls Clubs of America. The dues for 2016 and 2015 were \$16,946 and \$15,900, respectively. The Clubs also received \$245,876 and \$222,713 of grants from the National organization in 2016 and 2015, respectively. The Clubs also paid dues to the Boys and Girls Clubs of Minnesota Alliance of \$23,908 and \$24,245 in 2016 and 2015, respectively.

In 2010, the Boys and Girls Clubs of Minnesota Alliance received a \$1.0875 million two-year grant from the state of Minnesota for workforce development which is renewed every two years. The Clubs are serving as administrator of the grant for the Alliance, and is responsible for disbursing funds to the Alliance members as expenses are incurred. In 2016 and 2015, the Clubs received a \$35,625 payment for both years from the Alliance as reimbursement for administering the grant to all of the Clubs.

For the years ended August 31, 2016 and 2015, pledges totaling \$121,550 and \$181,550, respectively, were outstanding from board members of the Organization.

NOTE 13 COMMUNITY FOUNDATION FUNDS

The St. Paul Foundation holds and administers funds totaling \$1,177,357 and \$1,188,983 for the years ended August 31, 2016 and 2015, respectively, of donor-advised contributions from individuals to the St. Paul Foundation for the benefit of the Boys and Girls Clubs of the Twin Cities. The Organization's agreement with the Foundation requires that the principal be maintained in four separate advised funds with the income available for distribution to Boys and Girls Clubs of the Twin Cities subject to the St. Paul Foundation's Board of Trustees approval and subject to their "variance powers" to redirect such gifts.

The four funds held assets as of September 30 as follows:

	2016	2015
Camping Scholarships	\$ 127,143	\$ 128,579
Endowment Fund	705,154	711,778
Facilities Maintenance Fund	171,706	173,644
Subtotal St. Paul Foundation Net Asset	1,004,003	1,014,001
Endowment Fund - Foundation Net Assets	173,354	174,982
Total Held by St. Paul Foundation	\$ 1,177,357	\$ 1,188,983

The portion of the Endowment fund recorded as net assets by the Foundation represents the amount contributed by the Foundation to St. Paul Foundation for its own benefit. Total contributions received from the St. Paul Foundation for the years ended August 31, 2016 and 2015 was \$50,828 and \$48,867, respectively.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATING BALANCE SHEET
AUGUST 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT)**

	Clubs	Foundation	Consolidated Total
ASSETS			
Cash and Cash Equivalents	\$ 508,483	\$ 307,939	\$ 816,422
Receivables	94,816	-	94,816
Pledges and Grants Receivable	421,218	-	421,218
Remainder Trust Receivable	91,000	-	91,000
Prepaid Expenses	93,863	-	93,863
Investments	-	7,203,743	7,203,743
Cash Surrender Value of Life Insurance Policies	-	100,600	100,600
Community Foundation Funds	-	173,354	173,354
Fixed Assets, Net of Accumulated Depreciation of \$10,609,140	12,518,406	-	12,518,406
Total Assets	\$ 13,727,786	\$ 7,785,636	\$ 21,513,422
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	\$ 208,465	\$ -	\$ 208,465
Fiscal Agent Payable	221,384	-	221,384
Accrued Expenses	160,483	-	160,483
Deferred Revenue	149,100	-	149,100
Lines of Credit	-	-	-
Notes Payable	695,394	-	695,394
Total Liabilities	1,434,826	-	1,434,826
NET ASSETS			
Unrestricted	8,638,272	(20,642)	8,617,630
Unrestricted - Board Designated	165,405	-	165,405
Subtotal - Unrestricted	8,803,677	(20,642)	8,783,035
Temporarily Restricted	3,453,703	3,353,503	6,807,206
Permanently Restricted	35,580	4,452,775	4,488,355
Total Net Assets	12,292,960	7,785,636	20,078,596
Total Liabilities and Net Assets	\$ 13,727,786	\$ 7,785,636	\$ 21,513,422

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT)**

	Clubs			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OPERATING - REVENUE, GAINS, AND OTHER SUPPORT				
Contributions, Including In-Kind Contributions of \$43,372	\$ 2,042,384	\$ 37,500	\$ -	\$ 2,079,884
Special Events, Net of Expenses of \$296,179	853,375	-	-	853,375
Grants and Contracts	1,155,168	86,000	-	1,241,168
Program Fees	225,974	8,621	-	234,595
Investment Income	961	-	-	961
Change in Value of Split Interest Agreements	-	(6,000)	-	(6,000)
Rental Income	22,316	850	-	23,166
Other Income	37	-	-	37
Net Assets Released from Restrictions - Operating	187,692	(187,692)	-	-
Total Operating - Revenue, Gains, and Other Support	4,487,907	(60,721)	-	4,427,186
EXPENSES				
Program Services	4,263,673	-	-	4,263,673
Support Services:				
Administration	480,097	-	-	480,097
Fundraising	681,961	-	-	681,961
Total Support Services	1,162,058	-	-	1,162,058
Total Expenses	5,425,731	-	-	5,425,731
CHANGE IN NET ASSETS OPERATING	(937,824)	(60,721)	-	(998,545)
NON-OPERATING				
Change in Value of Community Foundation	-	-	-	-
Capital Campaign Contributions	-	26,899	-	26,899
Capital Campaign Expenses	(14,220)	-	-	(14,220)
Capital Grants for Clubs	133,014	67,224	-	200,238
Capital Expenses for Clubs	(2,239)	-	-	(2,239)
Capital Government Grants for Clubs	52,048	-	-	52,048
Gain on Disposal of Assets	3,500	-	-	3,500
Investment Income	-	-	-	-
Net Assets Released from Restrictions - Capital	60,000	(50,000)	(10,000)	-
Change in Net Assets Non-Operating	232,103	44,123	(10,000)	266,226
Net Assets Change Prior to Other Changes	(705,721)	(16,598)	(10,000)	(732,319)
OTHER CHANGES IN NET ASSETS				
Transfers (to) from Clubs/Foundation	414,502	-	-	414,502
CHANGE IN NET ASSETS	(291,219)	(16,598)	(10,000)	(317,817)
Net Assets - Beginning of Year	9,094,896	3,470,301	45,580	12,610,777
NET ASSETS - END OF YEAR	<u>\$ 8,803,677</u>	<u>\$ 3,453,703</u>	<u>\$ 35,580</u>	<u>\$ 12,292,960</u>

Foundation					2016
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Consolidated Total
\$ 50,828	\$ 4,175	\$ 10,000	\$ 65,003	\$ (10,000)	\$ 2,134,887
-	-	-	-	-	853,375
-	-	-	-	-	1,241,168
-	-	-	-	-	234,595
-	-	-	-	-	961
-	8,600	-	8,600	-	2,600
-	-	-	-	-	23,166
-	-	-	-	-	37
<u>472,272</u>	<u>(472,272)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
523,100	(459,497)	10,000	73,603	(10,000)	4,490,789
-	-	-	-	-	4,263,673
23,282	-	-	23,282	-	503,379
-	-	-	-	-	681,961
<u>23,282</u>	<u>-</u>	<u>-</u>	<u>23,282</u>	<u>-</u>	<u>1,185,340</u>
<u>23,282</u>	<u>-</u>	<u>-</u>	<u>23,282</u>	<u>-</u>	<u>5,449,013</u>
499,818	(459,497)	10,000	50,321	(10,000)	(958,224)
-	-	(1,628)	(1,628)	-	(1,628)
-	-	-	-	-	26,899
-	-	-	-	10,000	(4,220)
-	-	-	-	-	200,238
-	-	-	-	-	(2,239)
-	-	-	-	-	52,048
-	-	-	-	-	3,500
-	477,983	-	477,983	-	477,983
-	-	-	-	-	-
<u>-</u>	<u>477,983</u>	<u>(1,628)</u>	<u>476,355</u>	<u>10,000</u>	<u>752,581</u>
499,818	18,486	8,372	526,676	-	(205,643)
<u>(414,502)</u>	<u>-</u>	<u>-</u>	<u>(414,502)</u>	<u>-</u>	<u>-</u>
85,316	18,486	8,372	112,174	-	(205,643)
<u>(105,958)</u>	<u>3,335,017</u>	<u>4,444,403</u>	<u>7,673,462</u>	<u>-</u>	<u>20,284,239</u>
<u>\$ (20,642)</u>	<u>\$ 3,353,503</u>	<u>\$ 4,452,775</u>	<u>\$ 7,785,636</u>	<u>\$ -</u>	<u>\$ 20,078,596</u>