

**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, 2018 AND 2017

**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, 2018 AND 2017**

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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, 2018 and 2017, 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.

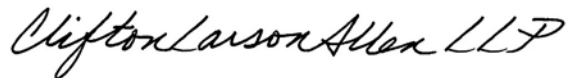
Board of Directors
Boys and Girls Clubs of the Twin Cities and
Boys and Girls Club of the Twin Cities Foundation

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, 2018 and 2017, 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 balance sheet and statement of activities in the supplementary information are presented for purposes of additional analysis and are 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 7, 2018

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED BALANCE SHEETS
AUGUST 31, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 776,282	\$ 654,861
Receivables	38,879	89,545
Pledges and Grants Receivable	910,880	746,193
Remainder Trust Receivable	92,000	93,000
Prepaid Expenses	59,402	137,805
Investments	7,426,740	7,337,852
Cash Surrender Value of Life Insurance Policies	128,600	112,900
Community Foundation Funds	193,756	187,017
Fixed Assets - Net	11,616,619	12,163,171
Total Assets	\$ 21,243,158	\$ 21,522,344
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 229,199	\$ 136,724
Fiscal Agent Payable	251,883	227,895
Accrued Expenses	233,136	218,539
Deferred Revenue	314,521	158,800
Lines of Credit	290,163	79,612
Notes Payable	581,342	622,713
Total Liabilities	1,900,244	1,444,283
NET ASSETS		
Unrestricted	7,541,925	8,386,293
Unrestricted - Board Designated	235,277	157,159
Subtotal - Unrestricted	7,777,202	8,543,452
Temporarily Restricted	4,133,335	7,032,591
Permanently Restricted	7,432,377	4,502,018
Total Net Assets	19,342,914	20,078,061
Total Liabilities and Net Assets	\$ 21,243,158	\$ 21,522,344

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, 2018 AND 2017**

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OPERATING - REVENUE, GAINS, AND OTHER SUPPORT				
Contributions, Including In-Kind Contributions of \$48,001 and \$34,167, Respectively	\$ 2,235,936	\$ 57,471	\$ 58,356	\$ 2,351,763
Special Events, Net of Expenses of \$271,741 and \$279,080, Respectively	959,348	-	-	959,348
Grants and Contracts	1,114,455	101,656	-	1,216,111
Program Fees	177,646	2,579	-	180,225
Investment Income	830	-	-	830
Change in Value of Split Interest Agreements	-	14,700	-	14,700
Rental Income	16,050	-	-	16,050
Other Income	1,269	-	-	1,269
Net Assets Released from Restrictions - Operating	613,060	(613,060)	-	-
Total Operating - Revenue, Gains, and Other Support	5,118,594	(436,654)	58,356	4,740,296
EXPENSES				
Program Services	4,858,090	-	-	4,858,090
Support Services:				
Administration	600,538	-	-	600,538
Fundraising	699,597	-	-	699,597
Total Support Services	1,300,135	-	-	1,300,135
Total Expenses	6,158,225	-	-	6,158,225
CHANGE IN NET ASSETS OPERATING	(1,039,631)	(436,654)	58,356	(1,417,929)
NONOPERATING				
Change in Value of Community Foundation	-	-	6,739	6,739
Capital Campaign Expenses	-	-	-	-
Capital Grants for Clubs	71,048	-	-	71,048
Capital Expenses for Clubs	(18,721)	-	-	(18,721)
Capital Government Grants for Clubs	125,000	-	-	125,000
Gain on Disposal of Assets	-	-	-	-
Investment Income	7,630	491,086	-	498,716
Net Assets Released from Restrictions - Capital	88,424	(88,424)	-	-
Change in Net Assets Nonoperating	273,381	402,662	6,739	682,782
RECLASSIFICATION OF DONOR INTENT	-	(2,865,264)	2,865,264	-
TOTAL CHANGE IN NET ASSETS	(766,250)	(2,899,256)	2,930,359	(735,147)
Net Assets - Beginning of Year	8,543,452	7,032,591	4,502,018	20,078,061
NET ASSETS - END OF YEAR	<u>\$ 7,777,202</u>	<u>\$ 4,133,335</u>	<u>\$ 7,432,377</u>	<u>\$ 19,342,914</u>

See accompanying Notes to Consolidated Financial Statements.

2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,540,773	\$ 367,405	\$ 30,000	\$ 2,938,178
863,329	-	-	863,329
1,045,997	25,000	-	1,070,997
221,366	2,495	-	223,861
199	-	-	199
-	14,300	-	14,300
23,193	-	-	23,193
229	-	-	229
<u>564,223</u>	<u>(564,223)</u>	<u>-</u>	<u>-</u>
5,259,309	(155,023)	30,000	5,134,286
4,518,908	-	-	4,518,908
555,192	-	-	555,192
<u>805,183</u>	<u>-</u>	<u>-</u>	<u>805,183</u>
<u>1,360,375</u>	<u>-</u>	<u>-</u>	<u>1,360,375</u>
<u>5,879,283</u>	<u>-</u>	<u>-</u>	<u>5,879,283</u>
(619,974)	(155,023)	30,000	(744,997)
-	-	13,663	13,663
(344)	-	-	(344)
51,071	4,482	-	55,553
(1,959)	-	-	(1,959)
78,671	40,000	-	118,671
1,400	-	-	1,400
6,623	550,855	-	557,478
<u>244,929</u>	<u>(214,929)</u>	<u>(30,000)</u>	<u>-</u>
<u>380,391</u>	<u>380,408</u>	<u>(16,337)</u>	<u>744,462</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(239,583)	225,385	13,663	(535)
<u>8,783,035</u>	<u>6,807,206</u>	<u>4,488,355</u>	<u>20,078,596</u>
<u>\$ 8,543,452</u>	<u>\$ 7,032,591</u>	<u>\$ 4,502,018</u>	<u>\$ 20,078,061</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, 2018 AND 2017**

	2018					
	Program Services	Support Services			Total Support Services	Total
		Administration	Fundraising			
OPERATING						
Salaries and Wages	\$ 2,169,687	\$ 370,461	\$ 439,153	\$ 809,614	\$ 2,979,301	
Payroll Taxes	179,079	26,363	32,908	59,271	238,350	
Benefits	366,921	47,184	65,170	112,354	479,275	
Total Personnel Costs	<u>2,715,687</u>	<u>444,008</u>	<u>537,231</u>	<u>981,239</u>	<u>3,696,926</u>	
Utilities	291,738	7,814	15,518	23,332	315,070	
Supplies	404,381	11,308	7,506	18,814	423,195	
In-Kind Program Incentives	46,052	-	-	-	46,052	
Insurance	82,910	2,349	5,245	7,594	90,504	
Professional Fees	154,630	66,167	50,453	116,620	271,250	
Maintenance and Repairs	112,120	12,659	22,674	35,333	147,453	
Interest Expense	24,876	15,828	13,364	29,192	54,068	
Staff Training	4,451	4,675	1,635	6,310	10,761	
National and Regional Dues	40,407	567	692	1,259	41,666	
Telephone	49,110	3,873	9,799	13,672	62,782	
Rent	23,000	-	-	-	23,000	
In-Kind Rent	74,720	-	-	-	74,720	
Travel	69,236	18,733	15,448	34,181	103,417	
Postage and Printing	31,259	7,235	12,888	20,123	51,382	
Scholarships	19,154	-	-	-	19,154	
Other	2,730	324	5,062	5,386	8,116	
Total Before Depreciation	<u>4,146,461</u>	<u>595,540</u>	<u>697,515</u>	<u>1,293,055</u>	<u>5,439,516</u>	
Depreciation	711,629	4,998	2,082	7,080	718,709	
Total Operating	<u>4,858,090</u>	<u>600,538</u>	<u>699,597</u>	<u>1,300,135</u>	<u>6,158,225</u>	
NONOPERATING						
Other	18,721	-	-	-	18,721	
Subtotal Before Special Events	4,876,811	600,538	699,597	1,300,135	6,176,946	
Special Events	-	-	271,741	271,741	271,741	
Total	<u>\$ 4,876,811</u>	<u>\$ 600,538</u>	<u>\$ 971,338</u>	<u>\$ 1,571,876</u>	<u>\$ 6,448,687</u>	

See accompanying Notes to Consolidated Financial Statements.

2017

Program Services	Support Services		Total Support Services	Total
	Administration	Fundraising		
\$ 1,887,733	\$ 303,520	\$ 432,326	\$ 735,846	\$ 2,623,579
137,354	22,746	31,381	54,127	191,481
354,017	39,365	70,241	109,606	463,623
<u>2,379,104</u>	<u>365,631</u>	<u>533,948</u>	<u>899,579</u>	<u>3,278,683</u>
253,305	6,856	13,372	20,228	273,533
446,200	10,117	8,428	18,545	464,745
27,485	-	-	-	27,485
89,060	2,044	6,142	8,186	97,246
204,534	114,805	165,420	280,225	484,759
116,607	8,972	17,105	26,077	142,684
21,767	12,579	10,988	23,567	45,334
2,824	1,378	2,576	3,954	6,778
39,458	420	769	1,189	40,647
41,104	3,873	8,513	12,386	53,490
23,000	-	-	-	23,000
74,720	-	-	-	74,720
62,893	15,378	16,349	31,727	94,620
25,217	5,668	14,223	19,891	45,108
17,383	-	-	-	17,383
897	405	3,337	3,742	4,639
<u>3,825,558</u>	<u>548,126</u>	<u>801,170</u>	<u>1,349,296</u>	<u>5,174,854</u>
<u>693,350</u>	<u>7,066</u>	<u>4,013</u>	<u>11,079</u>	<u>704,429</u>
<u>4,518,908</u>	<u>555,192</u>	<u>805,183</u>	<u>1,360,375</u>	<u>5,879,283</u>
2,303	-	-	-	2,303
4,521,211	555,192	805,183	1,360,375	5,881,586
-	-	279,080	279,080	279,080
<u>\$ 4,521,211</u>	<u>\$ 555,192</u>	<u>\$ 1,084,263</u>	<u>\$ 1,639,455</u>	<u>\$ 6,160,666</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, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets - Operating	\$ (1,417,929)	\$ (744,997)
Adjustments to Reconcile Change in Operating Net Assets to Net Cash Used by Operating Activities:		
Net Nonoperating Activity	682,782	744,462
Depreciation	718,709	704,429
Amortization of Donated Building Lease	74,720	74,720
Donated Fixed Assets	(1,949)	(6,682)
Gain on Disposal of Fixed Assets	-	(1,400)
Realized Gain on Investments	(158,644)	(267,407)
Unrealized Gain on Investments	(229,263)	(185,161)
Change in Cash Surrender Value of Life Insurance Policies	(15,700)	(12,300)
Change in Value of Remainder Trust Receivable	1,000	(2,000)
Change in Value of Community Foundation Assets	(6,739)	(13,663)
Contributions for Long-Term Purposes	-	(30,000)
(Increase) Decrease in Current Assets:		
Receivables	50,666	5,271
Pledges and Grants Receivable	(164,687)	(324,975)
Prepaid Expenses and Other Current Assets	78,403	(43,942)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(37,525)	(71,741)
Fiscal Agent Payable	23,988	6,511
Accrued Expenses	14,597	58,056
Deferred Revenue and Advances	155,721	9,700
Net Cash Used by Operating Activities	(231,850)	(101,119)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Marketable Securities	(1,087,063)	(1,061,653)
Sales of Marketable Securities	1,386,082	1,380,112
Purchase of Fixed Assets	(114,928)	(415,832)
Net Cash Provided (Used) by Investing Activities	184,091	(97,373)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Notes Payable	(41,371)	(72,681)
Contributions for Long-Term Purposes	-	30,000
Advances on Line of Credit	508,139	205,927
Payments on Line of Credit	(297,588)	(126,315)
Net Cash Provided by Financing Activities	169,180	36,931
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	121,421	(161,561)
Cash and Cash Equivalents - Beginning of Year	654,861	816,422
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 776,282	\$ 654,861
SUPPLEMENTAL INFORMATION		
Donated Fixed Assets	\$ 1,949	\$ 6,682
Cash Paid for Interest	\$ 54,068	\$ 45,334
Fixed Asset Additions Included in Accounts Payable	\$ 130,000	\$ -

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, 2018 AND 2017**

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, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonoperating Income and Expense

Nonoperating 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 accounting principles generally accepted in the United States of America (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, 2018, approximately 30% of the pledges and grants receivable balance was attributed to two contributors. At August 31, 2017, approximately 32% of the pledges and grants receivable balance was attributed to two 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, 2018 and 2017.

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 \$3,285 and \$-0- has been recorded for the years ended August 31, 2018 and 2017, respectively.

**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, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$92,000 and \$93,000 at August 31, 2018 and 2017, 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 and IT Equipment	3 Years
Vehicles	4 Years

Deferred Revenue

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

**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, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (IRS) 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.

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

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 7, 2018, 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:

	2018		
	Clubs	Foundation	Total
Pledges and Grants Receivable Due			
Within One Year	\$ 797,165	\$ -	\$ 797,165
Pledges and Grants Receivable Due			
Within One to Five Years	117,000	-	117,000
Gross Pledges and Grants Receivable	914,165	-	914,165
Allowance for Uncollectible Pledges	(3,285)	-	(3,285)
Net Pledges and Grants Receivable	<u>\$ 910,880</u>	<u>\$ -</u>	<u>\$ 910,880</u>
	2017		
	Clubs	Foundation	Total
Pledges and Grants Receivable Due			
Within One Year	\$ 629,193	\$ -	\$ 629,193
Pledges and Grants Receivable Due			
Within One to Five Years	117,000	-	117,000
Gross Pledges and Grants Receivable	746,193	-	746,193
Allowance for Uncollectible Pledges	-	-	-
Net Pledges and Grants Receivable	<u>\$ 746,193</u>	<u>\$ -</u>	<u>\$ 746,193</u>

NOTE 3 INVESTMENTS

Investments consist of the following at August 31:

	2018		
	Clubs	Foundation	
		Cost	Market
Bonds and Bond Mutual Funds	\$ -	\$ 2,000,540	\$ 1,938,271
Mutual Funds - Equities	-	2,480,465	4,069,148
Real Estate Funds	-	416,095	479,926
Complementary Strategies	-	919,630	939,395
Total Investments	<u>\$ -</u>	<u>\$ 5,816,730</u>	<u>\$ 7,426,740</u>
	2017		
	Clubs	Foundation	
		Cost	Market
Bonds and Bond Mutual Funds	\$ -	\$ 1,942,934	\$ 1,953,130
Mutual Funds - Equities	-	2,519,595	3,834,281
Real Estate Funds	-	576,335	630,865
Complementary Strategies	-	918,241	919,576
Total Investments	<u>\$ -</u>	<u>\$ 5,957,105</u>	<u>\$ 7,337,852</u>

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NOTE 3 INVESTMENTS (CONTINUED)

Investment income consists of the following at August 31:

	2018		
	Clubs	Foundation	Total
Interest and Dividends	\$ 830	\$ 169,913	\$ 170,743
Realized Gains	-	158,644	158,644
Unrealized Gains	-	229,263	229,263
Gross Investment Income	830	557,820	558,650
Less: Investment Fees	-	(59,104)	(59,104)
Net Investment Income	<u>\$ 830</u>	<u>\$ 498,716</u>	<u>\$ 499,546</u>

	2017		
	Clubs	Foundation	Total
Interest and Dividends	\$ 199	\$ 164,961	\$ 165,160
Realized Gains	-	267,407	267,407
Unrealized Gains	-	185,161	185,161
Gross Investment Income	199	617,529	617,728
Less: Investment Fees	-	(60,051)	(60,051)
Net Investment Income	<u>\$ 199</u>	<u>\$ 557,478</u>	<u>\$ 557,677</u>

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

NOTE 4 FIXED ASSETS

Fixed assets consist of the following at August 31:

	2018	2017
	Clubs	Clubs
Land and Improvements	\$ 626,131	\$ 626,131
Building and Leasehold Improvements	17,268,955	17,103,700
Donated Building Use and Land Lease	2,619,448	2,694,168
Furniture and Equipment	3,080,242	2,998,620
Subtotal	<u>23,594,776</u>	<u>23,422,619</u>
Accumulated Depreciation	<u>(11,978,157)</u>	<u>(11,259,448)</u>
Fixed Assets, Net	<u>\$ 11,616,619</u>	<u>\$ 12,163,171</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>2018</u>	<u>2017</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.	<u>\$ 581,342</u>	<u>\$ 622,713</u>

The future annual debt payments consist of the following:

<u>Year Ending August 31,</u>	<u>Amount</u>
2019	<u>\$ 581,342</u>

The Organization entered into a business line of credit agreement with a limit of \$250,000. Effective February 1, 2018, this agreement was renewed and expires on January 31, 2020. 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% (5.25% at August 31, 2018) and is secured by a mortgage on certain property. Outstanding balance was \$140,103 and \$-0- at August 31, 2018 and 2017, respectively.

The Organization entered into a business line of credit with a limit of \$300,000. Effective February 1, 2018, this agreement was renewed and expires on January 31, 2020. 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% (5.25% at August 31, 2018) and is secured by a mortgage on certain property. There was an outstanding balance of \$150,060 and \$79,612 at August 31, 2018 and 2017, respectively.

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, 2018 and 2017 was \$566,882 and \$544,282, respectively. Rent expense was \$22,600 for 2018 and 2017.

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NOTE 6 LEASES (CONTINUED)

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, 2018 and 2017 was \$269,670 and \$257,550, respectively. Rent expense was \$12,120 for 2018 and 2017.

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, 2018 and 2017 was \$280,000 and \$240,000, respectively. Rent expense was \$40,000 for 2018 and 2017.

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 \$23,000 in 2018 and 2017.

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>
2019	\$ 49,480
2020	47,592
2021	43,848
2022	42,490
2023	25,846
Thereafter	21,083
Total	<u>\$ 230,339</u>

Lease Income

In July 2015, the Organization signed a sublease and started collecting rental payments from a tenant with a commitment signed through June 2019. Future rental lease payments are \$850 a month.

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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 \$41,426 and \$44,918 for the years ended August 31, 2018 and 2017, respectively.

NOTE 8 NET ASSETS

Unrestricted – Board Designated

The board of directors have designated by board action \$235,277 and \$157,159 to be used for scholarships in 2018 and 2017, respectively.

Temporarily Restricted

Net assets temporarily restricted consist of the following donor restrictions:

	2018		
	Clubs	Foundation	Total
Donated Building Lease	\$ 2,619,448	\$ -	\$ 2,619,448
Donor Advisory Fund	-	7,413	7,413
Charitable Remainder Trust	92,000	-	92,000
Voyageur Camp Operations	134,772	-	134,772
Capital Campaign Contributions	45,685	-	45,685
Endowment Fund	-	684,637	684,637
Cash Surrender Value of Life Insurance	-	128,600	128,600
Other Time and Program Restrictions	420,780	-	420,780
Total	<u>\$ 3,312,685</u>	<u>\$ 820,650</u>	<u>\$ 4,133,335</u>

	2017		
	Clubs	Foundation	Total
Donated Building Lease	\$ 2,694,168	\$ -	\$ 2,694,168
Donor Advisory Fund	-	2,924,577	2,924,577
Charitable Remainder Trust	93,000	-	93,000
Voyageur Camp Operations	135,575	-	135,575
Capital Campaign Contributions	92,553	-	92,553
Endowment Fund	-	512,827	512,827
Cash Surrender Value of Life Insurance	-	112,900	112,900
Other Time and Program Restrictions	466,991	-	466,991
Total	<u>\$ 3,482,287</u>	<u>\$ 3,550,304</u>	<u>\$ 7,032,591</u>

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NOTE 8 NET ASSETS (CONTINUED)

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.

	2018		
	Clubs	Foundation	Total
Land Usage	\$ 74,720	\$ -	\$ 74,720
Other Time and Program Restrictions	166,802	371,538	538,340
Subtotal - Operating	241,522	371,538	613,060
Capital Campaign - Capital Expenditures	88,424	-	88,424
Total Releases	<u>\$ 329,946</u>	<u>\$ 371,538</u>	<u>\$ 701,484</u>

	2017		
	Clubs	Foundation	Total
Land Usage	\$ 74,720	\$ -	\$ 74,720
Other Time and Program Restrictions	122,244	367,259	489,503
Subtotal - Operating	196,964	367,259	564,223
Capital Campaign - Capital Expenditures	244,585	-	244,585
Total Releases	<u>\$ 441,549</u>	<u>\$ 367,259</u>	<u>\$ 809,152</u>

Permanently Restricted

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

	2018		
	Clubs	Foundation	Total
Scholarship	\$ 5,580	\$ -	\$ 5,580
Endowment Fund	-	7,233,041	7,233,041
Community Foundation (Note 13)	-	193,756	193,756
Total	<u>\$ 5,580</u>	<u>\$ 7,426,797</u>	<u>\$ 7,432,377</u>

	2017		
	Clubs	Foundation	Total
Scholarship	\$ 5,580	\$ -	\$ 5,580
Endowment Fund	-	4,309,421	4,309,421
Community Foundation (Note 13)	-	187,017	187,017
Total	<u>\$ 5,580</u>	<u>\$ 4,496,438</u>	<u>\$ 4,502,018</u>

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NOTE 8 NET ASSETS (CONTINUED)

Changes in Net Assets

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

	2018		
	Clubs	Foundation	Total
Unrestricted	\$ (767,152)	\$ 902	\$ (766,250)
Temporarily Restricted	(169,602)	(2,729,654)	(2,899,256)
Permanently Restricted	-	2,930,359	2,930,359
Total	<u>\$ (936,754)</u>	<u>\$ 201,607</u>	<u>\$ (735,147)</u>

	2017		
	Clubs	Foundation	Total
Unrestricted	\$ (240,928)	\$ 1,345	\$ (239,583)
Temporarily Restricted	28,584	196,801	225,385
Permanently Restricted	(30,000)	43,663	13,663
Total	<u>\$ (242,344)</u>	<u>\$ 241,809</u>	<u>\$ (535)</u>

Reclassifications were made to August 31, 2018 net assets to properly reflect donor intent as two donors provided notice during the year ended August 31, 2018 that their funds that had previously been included in temporarily restricted net assets should now become part of the permanent endowment. The reclassifications decreased temporarily restricted net assets by \$2,865,264 and increased permanently restricted net assets by \$2,865,264.

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:

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Bonds and Bond Mutual Funds	\$ 602,363	\$ 1,335,908	\$ -	\$ 1,938,271
Mutual Funds - Equities	4,069,148	-	-	4,069,148
Real Estate Securities	479,926	-	-	479,926
Complementary Strategies	939,395	-	-	939,395
Subtotal Investments	6,090,832	1,335,908	-	7,426,740
Community Foundation Funds	-	-	193,756	193,756
Remainder Trust Receivable	-	-	92,000	92,000
Total	<u>\$ 6,090,832</u>	<u>\$ 1,335,908</u>	<u>\$ 285,756</u>	<u>\$ 7,712,496</u>

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NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

	2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Bonds and Bond Mutual Funds	\$ 566,535	\$ 1,386,595	\$ -	\$ 1,953,130
Mutual Funds - Equities	3,834,281	-	-	3,834,281
Real Estate Securities	630,865	-	-	630,865
Complementary Strategies	919,576	-	-	919,576
Subtotal Investments	5,951,257	1,386,595	-	7,337,852
Community Foundation Funds	-	-	187,017	187,017
Remainder Trust Receivable	-	-	93,000	93,000
Total	<u>\$ 5,951,257</u>	<u>\$ 1,386,595</u>	<u>\$ 280,017</u>	<u>\$ 7,617,869</u>

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:

	2018		
	Remainder Trust Receivable	Community Foundation Funds	Total
Balance as of September 1, 2017	\$ 93,000	\$ 187,017	\$ 280,017
Investment Activity:			
Investment Income	-	13,207	13,207
Interest and Dividends	-	3,209	3,209
Change in Value of Remainder Trust	(1,000)	-	(1,000)
Disbursements:			
Grants Paid	-	(7,261)	(7,261)
Administrative Fees	-	(1,587)	(1,587)
Investment Expenses	-	(829)	(829)
Balance as of August 31, 2018	<u>\$ 92,000</u>	<u>\$ 193,756</u>	<u>\$ 285,756</u>

	2017		
	Remainder Trust Receivable	Community Foundation Funds	Total
Balance as of September 1, 2016	\$ 91,000	\$ 173,354	\$ 264,354
Investment Activity:			
Investment Loss	-	20,247	20,247
Interest and Dividends	-	2,632	2,632
Change in Value of Remainder Trust	2,000	-	2,000
Disbursements:			
Grants Paid	-	(6,951)	(6,951)
Administrative Fees	-	(1,530)	(1,530)
Investment Expenses	-	(735)	(735)
Balance as of August 31, 2017	<u>\$ 93,000</u>	<u>\$ 187,017</u>	<u>\$ 280,017</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 accounting principles generally accepted in the United States of America, 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.

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.

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NOTE 10 ENDOWMENTS (CONTINUED)

Spending Policy (Continued)

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:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, September 1, 2017	\$ (19,311)	\$ 512,827	\$ 4,309,421	\$ 4,802,937
Investment Return:				
Investment Income	1,259	139,222	-	140,481
Net Realized and Unrealized Gains	2,833	315,982	-	318,815
Total Investment Return	4,092	455,204	-	459,296
Contributions	-	-	58,356	58,356
Appropriations of Endowment Assets for Expenditure	(3,192)	(283,394)	-	(286,586)
Reclassification of Donor Intent	-	-	2,865,264	2,865,264
Endowment Net Assets, August 31, 2018	<u>\$ (18,411)</u>	<u>\$ 684,637</u>	<u>\$ 7,233,041</u>	<u>\$ 7,899,267</u>
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, September 1, 2016	\$ (20,657)	\$ 398,081	\$ 4,279,421	\$ 4,656,845
Investment Return:				
Investment Income	1,205	101,324	-	102,529
Net Realized and Unrealized Losses	3,305	277,982	-	281,287
Total Investment Return	4,510	379,306	-	383,816
Contributions	-	-	30,000	30,000
Controlled Trusts				-
Appropriations of Endowment Assets for Expenditure	(3,164)	(264,560)	-	(267,724)
Reclass of Endowment Funds with Deficiencies	-	-	-	-
Endowment Net Assets, August 31, 2017	<u>\$ (19,311)</u>	<u>\$ 512,827</u>	<u>\$ 4,309,421</u>	<u>\$ 4,802,937</u>

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NOTE 10 ENDOWMENTS (CONTINUED)

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 \$18,411 and \$19,311 as of August 31, 2018 and 2017, 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:

	2018		
	Clubs	Foundation	Total
In-Kind Revenue (Contributions):			
Donated Supplies and Tickets	\$ 46,052	\$ -	\$ 46,052
Donated Fixed Assets	1,949	-	1,949
Total	<u>\$ 48,001</u>	<u>\$ -</u>	<u>\$ 48,001</u>
In-Kind Expenses:			
Program Supplies and Tickets	\$ 46,052	\$ -	\$ 46,052
Rent (See Note 6)	74,720	-	74,720
Total	<u>\$ 120,772</u>	<u>\$ -</u>	<u>\$ 120,772</u>
	2017		
	Clubs	Foundation	Total
In-Kind Revenue (Contributions):			
Donated Supplies and Tickets	\$ 27,485	\$ -	\$ 27,485
Donated Fixed Assets	6,682	-	6,682
Total	<u>\$ 34,167</u>	<u>\$ -</u>	<u>\$ 34,167</u>
In-Kind Expenses:			
Program Supplies and Tickets	\$ 27,485	\$ -	\$ 27,485
Rent (See Note 6)	74,720	-	74,720
Total	<u>\$ 102,205</u>	<u>\$ -</u>	<u>\$ 102,205</u>

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NOTE 12 RELATED PARTIES

The Clubs are required to pay dues to the Boys and Girls Clubs of America. The dues for 2018 and 2017 were \$16,788 and \$16,137, respectively. The Clubs also received \$220,898 and \$187,217 of grants from the National organization in 2018 and 2017, respectively. The Clubs also paid dues to the Boys and Girls Clubs of Minnesota Alliance of \$24,890 and \$24,598 in 2018 and 2017, 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 are responsible for disbursing funds to the Alliance members as expenses are incurred. In 2018 and 2017, 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, 2018 and 2017, pledges totaling \$241,450 and \$198,250, respectively, were outstanding from board members of the Organization.

NOTE 13 COMMUNITY FOUNDATION FUNDS

The St. Paul Foundation holds and administers funds totaling \$1,315,914 and \$1,270,151 for the years ended August 31, 2018 and 2017, 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 August 31 as follows:

	2018	2017
Camping Scholarships	\$ 142,106	\$ 137,164
Endowment Fund	788,139	760,731
Facilities Maintenance Fund	191,913	185,239
Subtotal St. Paul Foundation Net Asset	1,122,158	1,083,134
Endowment Fund - Foundation Net Assets	193,756	187,017
Total Held by St. Paul Foundation	<u>\$ 1,315,914</u>	<u>\$ 1,270,151</u>

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, 2018 and 2017 was \$49,977 and \$47,847, respectively.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATING BALANCE SHEET
AUGUST 31, 2018**

ASSETS	<u>Clubs</u>	<u>Foundation</u>	<u>Consolidated Total</u>
Cash and Cash Equivalents	\$ 296,901	\$ 479,381	\$ 776,282
Receivables	38,304	575	38,879
Pledges and Grants Receivable	910,880	-	910,880
Remainder Trust Receivable	92,000	-	92,000
Prepaid Expenses	59,402	-	59,402
Investments	-	7,426,740	7,426,740
Cash Surrender Value of Life Insurance Policies	-	128,600	128,600
Community Foundation Funds	-	193,756	193,756
Fixed Assets, Net of Accumulated Depreciation of \$11,978,157	<u>11,616,619</u>	<u>-</u>	<u>11,616,619</u>
Total Assets	<u>\$ 13,014,106</u>	<u>\$ 8,229,052</u>	<u>\$ 21,243,158</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	\$ 229,199	\$ -	\$ 229,199
Fiscal Agent Payable	251,883	-	251,883
Accrued Expenses	233,136	-	233,136
Deferred Revenue	314,521	-	314,521
Lines of Credit	290,163	-	290,163
Notes Payable	<u>581,342</u>	<u>-</u>	<u>581,342</u>
Total Liabilities	1,900,244	-	1,900,244
NET ASSETS			
Unrestricted	7,560,320	(18,395)	7,541,925
Unrestricted - Board Designated	<u>235,277</u>	<u>-</u>	<u>235,277</u>
Subtotal - Unrestricted	7,795,597	(18,395)	7,777,202
Temporarily Restricted	3,312,685	820,650	4,133,335
Permanently Restricted	<u>5,580</u>	<u>7,426,797</u>	<u>7,432,377</u>
Total Net Assets	<u>11,113,862</u>	<u>8,229,052</u>	<u>19,342,914</u>
Total Liabilities and Net Assets	<u>\$ 13,014,106</u>	<u>\$ 8,229,052</u>	<u>\$ 21,243,158</u>

**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, 2018**

	Clubs			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OPERATING - REVENUE, GAINS, AND OTHER SUPPORT				
Contributions, Including In-Kind Contributions of \$48,001	\$ 2,185,939	\$ 57,109	\$ -	\$ 2,243,048
Special Events, Net of Expenses of \$271,741	959,348	-	-	959,348
Grants and Contracts	1,114,455	101,656	-	1,216,111
Program Fees	177,646	2,579	-	180,225
Investment Income	830	-	-	830
Change in Value of Split Interest Agreements	-	(1,000)	-	(1,000)
Rental Income	16,050	-	-	16,050
Other Income	1,269	-	-	1,269
Net Assets Released from Restrictions - Operating	241,522	(241,522)	-	-
Total Operating - Revenue, Gains, and Other Support	4,697,059	(81,178)	-	4,615,881
EXPENSES				
Program Services	4,858,090	-	-	4,858,090
Support Services:				
Administration	593,790	-	-	593,790
Fundraising	699,597	-	-	699,597
Total Support Services	1,293,387	-	-	1,293,387
Total Expenses	6,151,477	-	-	6,151,477
CHANGE IN NET ASSETS OPERATING	(1,454,418)	(81,178)	-	(1,535,596)
NONOPERATING REVENUE (EXPENSE)				
Change in Value of Community Foundation	-	-	-	-
Capital Campaign Expenses	-	-	-	-
Capital Grants for Clubs	71,048	-	-	71,048
Capital Expenses for Clubs	(18,721)	-	-	(18,721)
Capital Government Grants for Clubs	125,000	-	-	125,000
Gain on Disposal of Assets	-	-	-	-
Investment Income	-	-	-	-
Net Assets Released from Restrictions - Capital	88,424	(88,424)	-	-
Change in Net Assets Nonoperating	265,751	(88,424)	-	177,327
Net Assets Change Prior to Other Changes	(1,188,667)	(169,602)	-	(1,358,269)
OTHER CHANGES IN NET ASSETS				
Transfers (to) from Clubs/Foundation	421,515	-	-	421,515
RECLASSIFICATION OF DONOR INTENT	-	-	-	-
CHANGE IN NET ASSETS	(767,152)	(169,602)	-	(936,754)
Net Assets - Beginning of Year	8,562,749	3,482,287	5,580	12,050,616
NET ASSETS - END OF YEAR	<u>\$ 7,795,597</u>	<u>\$ 3,312,685</u>	<u>\$ 5,580</u>	<u>\$ 11,113,862</u>

Foundation					2018
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Consolidated Total
\$ 49,997	\$ 362	\$ 58,356	\$ 108,715	\$ -	\$ 2,351,763
-	-	-	-	-	959,348
-	-	-	-	-	1,216,111
-	-	-	-	-	180,225
-	-	-	-	-	830
-	15,700	-	15,700	-	14,700
-	-	-	-	-	16,050
-	-	-	-	-	1,269
<u>371,538</u>	<u>(371,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
421,535	(355,476)	58,356	124,415	-	4,740,296
-	-	-	-	-	4,858,090
6,748	-	-	6,748	-	600,538
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>699,597</u>
<u>6,748</u>	<u>-</u>	<u>-</u>	<u>6,748</u>	<u>-</u>	<u>1,300,135</u>
<u>6,748</u>	<u>-</u>	<u>-</u>	<u>6,748</u>	<u>-</u>	<u>6,158,225</u>
414,787	(355,476)	58,356	117,667	-	(1,417,929)
-	-	6,739	6,739	-	6,739
-	-	-	-	-	-
-	-	-	-	-	71,048
-	-	-	-	-	(18,721)
-	-	-	-	-	125,000
-	-	-	-	-	-
7,630	491,086	-	498,716	-	498,716
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7,630</u>	<u>491,086</u>	<u>6,739</u>	<u>505,455</u>	<u>-</u>	<u>682,782</u>
422,417	135,610	65,095	623,122	-	(735,147)
(421,515)	-	-	(421,515)	-	-
<u>-</u>	<u>(2,865,264)</u>	<u>2,865,264</u>	<u>-</u>	<u>-</u>	<u>-</u>
902	(2,729,654)	2,930,359	201,607	-	(735,147)
<u>(19,297)</u>	<u>3,550,304</u>	<u>4,496,438</u>	<u>8,027,445</u>	<u>-</u>	<u>20,078,061</u>
<u>\$ (18,395)</u>	<u>\$ 820,650</u>	<u>\$ 7,426,797</u>	<u>\$ 8,229,052</u>	<u>\$ -</u>	<u>\$ 19,342,914</u>