

BOYS & GIRLS CLUBS OF ALBANY, INC.
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

BOYS & GIRLS CLUBS OF ALBANY, INC.

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ROBERT BAKER and ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Boys & Girls Clubs of Albany, Inc.
Albany, Georgia

We have audited the accompanying financial statements of Boys & Girls Clubs of Albany, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable in financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018, on our consideration of Boys & Girls Clubs of Albany, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in consideration of Boys & Girls Clubs of Albany, Inc.'s internal control over financial reporting and compliance.

ROBERT BAKER and ASSOCIATES

Handwritten signature in cursive script that reads "ROBERT BAKER and ASSOCIATES".

Certified Public Accountants

Albany, Georgia

August 27, 2018

BOYS & GIRLS CLUBS OF ALBANY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 186,699
Grants Receivable	<u>65,376</u>
Total Current Assets	\$ <u>252,075</u>
INVESTMENTS	\$ <u>389,038</u>
ENDOWMENT INVESTMENTS	
Cash and Cash Equivalents	\$ 70,063
Investments	<u>1,402,342</u>
Total Endowment Investments	\$ <u>1,472,405</u>
PROPERTY AND EQUIPMENT	
Property and Equipment	
Net of Accumulated Depreciation	\$ <u>1,004,923</u>
OTHER ASSETS	
Miscellaneous	\$ <u>19,834</u>
TOTAL ASSETS	\$ <u>3,138,275</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Note Payable	\$ <u>5,531</u>
NON-CURRENT LIABILITIES	
Note Payable	\$ 14,440
Deferred Compensation	<u>5,800</u>
Total Non-Current Liabilities	\$ <u>20,240</u>
TOTAL LIABILITIES	\$ <u>25,771</u>
NET ASSETS	
Unrestricted	\$ 1,572,369
Temporarily Restricted	979,678
Permanently Restricted	<u>560,457</u>
Total Net Assets	\$ <u>3,112,504</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,138,275</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BOYS & GIRLS CLUBS OF ALBANY, INC.

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT, REVENUE AND RECLASSIFICATIONS				
Contributions	\$ 130,374	\$ 53,952	\$ -	\$ 184,326
Foundation/Corporate Grants	170,078	-	-	170,078
Local Grants, Federal & State Grants	472,348	-	-	472,348
United Way Allocation:				
Dougherty County 2017	-	49,500	-	49,500
Memorials & Bequests	3,660	-	-	3,660
Net Assets Released from Restriction	<u>49,500</u>	<u>(49,500)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT	\$ <u>825,960</u>	\$ <u>53,952</u>	\$ <u>-</u>	\$ <u>879,912</u>
OTHER REVENUE				
Fundraising Events, Net of Expenses	\$ 91,476	\$ -	\$ -	\$ 91,476
Pool Revenue	110,000	-	-	110,000
Membership Dues	2,810	-	-	2,810
Program Service Fees	147,668	-	-	147,668
Investment Income	98,553	-	-	98,553
Interest and Dividends	42,064	-	-	42,064
Net Unrealized Gains on Investments	<u>(3,003)</u>	<u>-</u>	<u>-</u>	<u>(3,003)</u>
Net Realized Gains on Investments	137,525	-	-	137,525
Miscellaneous Income	<u>14,526</u>	<u>-</u>	<u>-</u>	<u>14,526</u>
TOTAL OTHER REVENUE	\$ <u>641,619</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>641,619</u>
TOTAL PUBLIC SUPPORT, REVENUE AND RECLASSIFICATIONS	\$ <u>1,467,579</u>	\$ <u>53,952</u>	\$ <u>-</u>	\$ <u>1,521,531</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BOYS & GIRLS CLUBS OF ALBANY, INC.
STATEMENT OF ACTIVITIES - CONTINUED
For The Year Ended December 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
EXPENSES AND LOSSES				
PROGRAMS				
Covenant	\$ 83,671	\$ -	\$ -	\$ 83,671
Jefferson Street	194,874	-	-	194,874
Jane Wilson	196,017	-	-	196,017
Pool	32,048	-	-	32,048
East Albany	5,108	-	-	5,108
International Studies	24,839	-	-	24,839
Lamar Reese	44,618	-	-	44,618
McIntosh	57,660	-	-	57,660
Lipsev Pate	38,418	-	-	38,418
Morningside	62,973	-	-	62,973
Turner Elementary	<u>23,215</u>	<u>-</u>	<u>-</u>	<u>23,215</u>
TOTAL PROGRAM EXPENSES	\$ 763,441	\$ -	\$ -	\$ 763,441
Management and General	<u>506,139</u>	<u>-</u>	<u>-</u>	<u>506,139</u>
TOTAL EXPENSES AND LOSSES	\$ <u>1,269,580</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,269,580</u>
CHANGE IN NET ASSETS	\$ 197,999	\$ 53,952	\$ -	\$ 251,951
NET ASSETS - BEGINNING OF YEAR	<u>1,374,370</u>	<u>925,726</u>	<u>560,457</u>	<u>2,860,553</u>
NET ASSETS - END OF YEAR	\$ <u>1,572,369</u>	\$ <u>979,678</u>	\$ <u>560,457</u>	\$ <u>3,112,504</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BOYS & GIRLS CLUBS OF ALBANY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2017

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	
	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
Salaries	\$ 335,422	\$ 253,038	\$ 588,460
Employee Health and Retirement Benefits	105,137	56,612	161,749
Payroll Taxes	<u>19,931</u>	<u>15,035</u>	<u>34,966</u>
	\$ 460,490	\$ 324,685	\$ 785,175
Building Maintenance & Repairs	\$ 2,378	\$ 14,605	\$ 16,983
Conferences, Conventions, and Meetings	7,660	24,258	31,918
Depreciation	-	81,247	81,247
Equipment Repairs and Maintenance	13,369	5,730	19,099
Janitorial Service and Supplies	13,439	1,329	14,768
Liability Insurance	27,271	2,371	29,642
Membership Dues	12,331	1,682	14,013
Miscellaneous	21,744	-	21,744
Postage	614	84	698
Printing	1,832	517	2,349
Professional Fees	42,834	3,725	46,559
Rent	5,105	-	5,105
Staff Development	7,449	16,581	24,030
Supplies	45,848	2,413	48,261
Telephone	6,350	2,988	9,338
Trustee Fees	-	15,445	15,445
Utilities	59,634	-	59,634
Vehicle Expenses	28,537	7,586	36,123
Worker's Compensation	<u>6,556</u>	<u>893</u>	<u>7,449</u>
Total Expenses	\$ <u>763,441</u>	\$ <u>506,139</u>	\$ <u>1,269,580</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BOYS & GIRLS CLUBS OF ALBANY, INC.

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 251,951
Adjustment to Reconcile Net Income to	
Cash Used by Operating Activities:	
Depreciation	81,247
Net Realized and Unrealized in Gains on Investments	(134,522)
(Increase)/Decrease in Due To/From Accounts	(5,947)
(Increase)/Decrease in Other Assets	37,584
(Increase)/Decrease in Accounts Payable	(2,224)
(Increase)/Decrease in Grants Receivable	<u>8,243</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u>236,332</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments of Debt	\$ (5,275)
Reinvested Dividends and Interest in Investment Accounts	(42,062)
Purchase of Fixed Assets	(251,725)
Transfers from Operating Reserve	(20,000)
Transfers from Harold and Sara Wetherbee Trust	18,089
Transfers from Endowment	31,999
Transfers from Capital	107,880
Trustee Fees Paid from Investment Accounts	<u>15,445</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ (<u>145,649</u>)
NET INCREASE (DECREASE) IN CASH	\$ 90,683
CASH - BEGINNING OF YEAR	<u>96,016</u>
CASH - END OF YEAR	\$ <u>186,699</u>

NOTES TO THE FINANCIAL STATEMENTS:

Interest Paid	\$ 562
Income Tax Paid	\$ -

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BOYS & GIRLS CLUBS OF ALBANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Organization

The purpose of the Boys & Girls Clubs of Albany, Inc. is to assure the quality of life for boys and girls of the Community. With special concern for the disadvantaged, the Organization helps youth to realize their potential for growth and development by personal interaction and community involvement through diversified individual and group services. All of the programs are designed to enable the members of the Boys & Girls Club to grow into contributing human beings with the necessary skills for living. Services are concentrated in communities surrounding Albany, Georgia and are subject to the economic conditions within the region.

Basis of Presentation and Net Assets

The Organization follows the guidance of the FASB Accounting Standards Codification, which is the source of authoritative accounting principles for nongovernmental entities that prepare financial statements in accordance with generally accepted accounting principles in the United States of America. All standards applicable to the Organization have been properly adopted and applied in the preparation of the financial statements.

The financial statements are prepared in accordance with generally accepted accounting principles promulgated in the United States of America for Not-For-Profit Organizations. Boys & Girls Clubs of Albany, Inc. therefore reports information about its financial position and activities using three classes of net assets that recognize the existence and nature of restrictions on its net assets.

Unrestricted net assets represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the organization in accordance with the Articles of Incorporation and By-laws.

Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by the passage of time.

Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles and Government Auditing Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. It is at least reasonably possible that the Organization's estimates will change in the near term.

Cash and Cash Equivalents

Cash and Cash Equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

BOYS & GIRLS CLUBS OF ALBANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Under SFAS No.124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized. All investments are measured using Level 1 inputs known as public stock market exchange values.

Restricted and Unrestricted Support

Contributions received or donor promises to give are recorded as temporarily restricted, permanently restricted, or unrestricted support, depending on the existence or nature of any donor restriction. Contributions made to Boys & Girls Clubs of Albany, Inc. are considered available for unrestricted use unless specifically restricted by the donor. Contributions of property and equipment are reported as unrestricted contributions when placed in service unless the donor has restricted the use of the asset to a specific purpose or time period. Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in temporarily restricted net assets until the assets are acquired and placed in service as instructed by the donor, unless the donor has also required that the acquired asset be used for a specific purpose or time period. If the donor requires property and equipment to be used for a specific purpose, restrictions on net assets are released as the asset is depreciated. If the donor requires property and equipment to be used for a specific time period, restrictions on net assets are released evenly over the time period required.

All restricted support is reported as an increase in temporarily or permanently restricted net assets. However, support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. When a restriction expires, such as when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Contracts and Grants

Amounts received under contracts and grants are recorded as revenue in the financial statements as services are provided. Since the Boys & Girls Clubs of Albany, Inc. provides a service for these funds, the amounts are recorded as revenue in unrestricted net assets.

Revenue is recognized on a cost reimbursement basis.

In-Kind Support

In-kind contributions are recorded as revenue along with a corresponding charge to expense or capitalized cost.

BOYS & GIRLS CLUBS OF ALBANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expenses

Boys & Girls Clubs of Albany, Inc. allocates expenses on a functional basis among two categories: Management and General, and Program Services. Most expenses are allocated directly to the program or support service benefited.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Land, buildings, and equipment are recorded at cost where determinable. All land, buildings, and equipment acquired prior to 1977 are recorded at appraised values in 1977. Depreciation is recorded using the straight-line method over the useful lives of the related assets which vary from 5 to 39 years.

Federal Income Tax

The Boys & Girls Clubs of Albany, Inc. qualifies as a tax exempt charitable organization under I.R.C. 501(c)(3) and is exempt from payment of income tax. Therefore, no provision for income tax is made in the accompanying financial statements. The organization has no unrelated business taxable income and thus has no uncertain tax positions that are material to the financial statements.

Fair Value

Financial Accounting Standards Board Statement No. 157, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1-Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that has accessibility.

Level 2-Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the assets or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term, the Level 2 input must be observable for substantially all the life of the term of the asset or liability.

Level 3-Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

BOYS & GIRLS CLUBS OF ALBANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value - Continued

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Cash and cash equivalents - The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Investments - The fair value of investments in marketable equity and debt securities is based on quoted market prices. Nonmarketable debt securities are valued based on estimated discounted future cash flows; nonmarketable equity securities are carried at estimated current value if it is possible to determine this, otherwise at cost

Assets held by investment trustee - The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Contributions receivable - The fair value of contributions receivable is recorded at original valuation due to the short carrying period.

NOTE 2 - INVESTMENTS

Investments as of December 31, 2017 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Input Level</u>
Cash and Cash Equivalents	\$ 132,902	\$ 132,902	1
Fixed Income	248,863	248,863	1
Common Stocks	<u>85,551</u>	<u>7,273</u>	1
Total	\$ <u>467,316</u>	\$ <u>389,038</u>	

Investment income from current investments is summarized as follows:

	<u>2017</u>
Interest and dividends	\$ 6,894
Realized gains/(losses)	(5,146)
Net unrealized gains/(losses)	<u>10,123</u>
Total	\$ <u>11,871</u>

BOYS & GIRLS CLUBS OF ALBANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - UNCONDITIONAL PROMISE TO GIVE

Unconditional promises to give consist of the following:

The United Way of Southwest Georgia has allocated to the Boys & Girls Clubs of Albany, Inc. from the 2016 United Way campaign an amount of \$49,500 which was paid in full in the year 2017.

There are no promises to give that extend beyond June 30, 2018.

NOTE 4 - GRANTS RECEIVABLE

Grants receivable represent grants and contract amounts due from Boys and Girls Clubs of America and the Georgia Alliance of Boys and Girls Clubs, Inc. for services provided. These grants in conjunction with government funding comprise a significant portion of revenues. The Organization would be negatively impacted should funding from these sources decline. A detail of these unsecured receivables is presented below as of December 31, 2017.

Georgia Alliance of Boys and Girls Clubs, Inc.	\$	41,020
Boys and Girls Clubs, Inc. OJP JW		3,783
Boys and Girls Clubs, Inc. OJP JS		4,872
Other Grants		<u>15,701</u>
Total Grants Receivable	\$	<u>65,376</u>

All amounts were received subsequent to the year-end.

NOTE 5 - ENDOWMENT INVESTMENTS

GAAP requires the following financial statement disclosures for the Organization:

A. Classification of net assets

The Organization includes the following funds within its endowment:

- Wetherbee, Harold B TRUW fbo Boys & Girls Club of Albany Inc, which has an annual amount distributed with approximately 5% of the fair market value of the trust's assets.
- Boys & Girls Club Agency - Harold & Sara Wetherbee Fund, which net income produced by this account is distributed to the club annually and utilized at management's discretion.
- Boys & Girls Club Endowment Foundation Agency account distributes 5% of the account's fair market value each January as valued at December 31 of the prior year.
- Boys & Girls Club Endowment Foundation Scholarship Agency has been earmarked to assist deserving club members with educational pursuits. Distributions are at the discretion of the Executive Director.

BOYS & GIRLS CLUBS OF ALBANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENT INVESTMENTS - CONTINUED

B. Interpretation of Relevant Law

The Organization has interpreted the 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 the investments as permanently restricted net assets (a) the original value of initial gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund 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 by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

C. Return Objectives and Risk Parameters

The Organization has adopted a growth with income objective that is moderately aggressive, with the emphasis on long-term growth. The investment committee has adopted a diversified approach to investment that balances its goals of maximizing returns and preserving the organization's purchasing power. By diversifying among asset classes and rebalancing toward policy target allocations, the investment committee expects to enhance the real market value and provide an adequate funding source to meet spending requirements. Rebalancing asset allocations to policy targets is essential for maintaining the risk profile adopted by the investment committee.

D. Strategies Employed for Achieving Objectives

The investment manager is expected to add value versus an appropriate benchmark (net of fees and transaction costs) over a reasonable measurement period. Each Fund's actual asset allocation will be monitored regularly relative to established policy targets. The investment committee recognizes adjustments may be constrained by practical limits with respect to liquidity and transaction costs, but every reasonable effort should be made to rebalance as appropriate and specified herein.

E. Spending Policy

The spending policy of these funds shall be based on a total return concept, which takes into consideration actual income (dividends and interest) and changes to market value (realized and unrealized capital gains and losses). The spending rate from these funds is estimated to be approximately 5% of fair market value.

BOYS & GIRLS CLUBS OF ALBANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENT INVESTMENTS - CONTINUED

Endowment investments consist of the Harold and Sara Wetherbee Fund and the Endowment Fund, both of which are held in trust by Regions Bank and managed by the bank trust personnel. The principle portion of the Wetherbee Fund is permanently restricted, while the income is unrestricted. The Endowment Fund has been designated by the Board of Directors to account for and manage donor endowments. Trustees decide restrictions. At this time only interest earned by this fund is available for general obligations.

Endowment Cash and Equivalents.	\$	3,512
Endowment Foundation Cash and Equivalents		15,926
Wetherbee Cash and Equivalents		<u>50,625</u>
 Total Cash and Equivalents	 \$	 <u>70,063</u>

A summary of the investments as of December 31, 2017, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Harold & Sara Wetherbee Fund				
Endowment Fund	\$ 321,836	\$ -	\$ 495,215	\$ 817,051
<u>HAROLD AND SARA WETHERBEE FUND</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Level Input</u>	
Fixed Income Funds	\$ 224,369	\$ 226,499	1	
Corporate Equities	<u>517,380</u>	<u>590,552</u>	1	
Totals	\$ <u>741,749</u>	\$ <u>817,051</u>		
<u>ENDOWMENT FUND</u>				
Fixed Income Funds	\$ 154,625	\$ 175,503	1	
Corporate	<u>300,521</u>	<u>409,788</u>	1	
Totals	\$ <u>455,146</u>	\$ <u>585,291</u>		
 GRAND TOTAL	 \$ <u>1,196,895</u>	 \$ <u>1,402,342</u>		

BOYS & GIRLS CLUBS OF ALBANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENT INVESTMENTS - CONTINUED

	<u>Endowment Fund</u>	<u>Harold & Sara Wetherbee Fund</u>
December 31, 2016	\$ <u>558,472</u>	\$ <u>805,419</u>
Investment Return:		
Interest and Dividends	\$ 12,001	\$ 25,439
Realized Gains and Losses	18,019	109,416
Unrealized Gains and Losses	<u>51,043</u>	(<u>47,594</u>)
Total Investment Return	\$ 81,063	\$ 87,261
Investment Fees	(4,807)	(6,914)
Contributions	1,000	-
Distribution of Endowment Income	(<u>30,999</u>)	(<u>18,089</u>)
Total	\$ <u>46,257</u>	\$ <u>62,258</u>
December 31, 2017	\$ <u>604,729</u>	\$ <u>867,677</u>

The Harold and Sara Wetherbee Fund distributes income only to the Boys & Girls Clubs of Albany, Inc.

The Endowment fund distributes income. During 2011, a proposal was made to distribute 5% of the principal in 2012, and then 5% of principal annually on an ongoing basis.

NOTE 6 - PROPERTY AND EQUIPMENT

As of December 31, 2017, the property and equipment was stated at cost as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land and Buildings	\$ 1,593,364	\$ 801,901	\$ 791,463
Machinery and Equipment	520,456	407,541	112,915
Furniture and Fixtures	203,038	110,761	92,277
Pool	<u>224,804</u>	<u>216,536</u>	<u>8,268</u>
	\$ <u>2,541,662</u>	\$ <u>1,536,739</u>	\$ <u>1,004,923</u>

Depreciation expense amounted to \$81,247 for 2017.

NOTE 7 - LEASE AGREEMENT

The Boys & Girls Clubs of Albany, Inc. entered a five year lease agreement with Phoebe Putney Memorial Hospital effective July 1, 2016 for the office building located at 711 North Monroe Street, Albany, GA. The Boys & Girls Clubs of Albany, Inc. are responsible for all personal property taxes, utility costs, waste disposal and telephone services. The Boys & Girls Clubs of Albany, Inc. shall not be required to pay rent so long as it is maintaining the premise, and otherwise is not in default under the terms of the lease agreement.

BOYS & GIRLS CLUBS OF ALBANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - NOTES PAYABLE

In 2017, the Organization purchased a vehicle with the proceeds from a note to Regions Bank. The note is for sixty (60) months with an interest rate of 4.75%, and a monthly payment of \$530.06. A schedule of principal maturities is as follows:

For the year ending December 30,

Current	\$	5,531
2019		5,800
2020		6,082
2021		<u>2,558</u>
Total	\$	<u>19,971</u>

NOTE 9 - RETIREMENT PLAN

The employees of the Boys & Girls Clubs of Albany, Inc. are covered under the retirement plan of Boys and Girls Clubs of America. An employee becomes eligible when they are full time for eighteen (18) months. Expense cost to the local club is 10% of the annual salary. The cost for the year ended December 31, 2017 was \$25,971.

NOTE 10- DEFERRED COMPENSATION

The Boys & Girls Clubs of Albany, Inc. entered into a deferred compensation plan with its Executive Director under which the Organization agreed to make certain payments to the Executive Director upon his retirement or earlier disability, or to the Executive Director's designated beneficiary upon the Executive Director's death. The plan is intended to be unfunded and maintained by the Organization solely for the purpose of providing deferred compensation to the Executive Director and to no other employee of the Organization. Upon retirement, death or disability the Executive Director shall be paid \$35,000 plus any accrued interest in one lump sum payment, within two weeks of such occurrence. The balance at December 31, 2017 is \$5,800 with an annual cost of \$0 in 2017.

NOTE 11- CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANKS

The Organization maintains cash balances in excess of \$250,000 in banks, which are insured by FDIC, up to \$250,000 for all interest bearing cash accounts.

NOTE 12- IN-KIND SUPPORT

In-kind contributions are recorded as revenue and expenses or capital equipment at fair market value as of December 31, 2017. The estimated fair value of the use of the central office facility is based on \$867 per month. The total amount of in-kind rent for 2017 was \$10,404.

The value for services contributed during the year ending December 31, 2017 was not material, and has not been recorded.

BOYS & GIRLS CLUBS OF ALBANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 13- HAROLD B. WETHERBEE CHARITABLE TRUST

The Harold B. Wetherbee Trust Fund is managed by Regions Bank. The Boys & Girls Clubs of Albany, Inc.'s share of the Trust's income is distributed to the Club annually for its use and benefits for charitable and program purposes for which the Club was organized. The market value of the Trusts' assets as of December 31, 2017 was as follows:

	<u>Amount</u>
Cash and Cash Equivalents	\$ 113,111
Fixed Income Funds	575,262
Corporate Equities	<u>1,513,781</u>
Total Assets	\$ <u>2,202,154</u>

During 2017 the Club received \$98,553 in interest and dividend income from the Trust.

NOTE 14- GEORGIA B. STUBBS CHARITABLE FOUNDATION

The Georgia B. Stubbs Charitable Foundation is managed by Regions Bank. The Boys & Girls Clubs of Albany, Inc. share of the Foundation's income is distributed to the Club quarterly for its use and benefits for charitable and program purposes for which the Club was organized. The market value of the Trusts' assets as of December 31, 2017 was as follows:

	<u>Amount</u>
Cash and Cash Equivalents	\$ 27,067
Fixed Income Funds	313,870
Alternative Investments	180,566
Corporate Equities	<u>407,913</u>
Total Assets	\$ <u>929,416</u>

During 2017, the Club received \$8,000 in interest and dividend income from the Trust.

NOTE 15- COMPENSATED ABSENCES

The financial statements do not reflect any provision for accrued compensated absences because the amount cannot be reasonably estimated at December 31, 2017.

NOTE 16- ACCOUNT RECEIVABLE, REGION & INVESTMENT CONCENTRATION

A significant amount of revenue and receivables result from government funding. The GA Alliance of Boys and Girls Club receivable is 63% of the total receivables.

The Boys & Girls Clubs of Albany, Inc.'s operations are centered in Southwest Georgia, with Albany being the hub. A significant economic downturn within this area could negatively impact donations.

BOYS & GIRLS CLUBS OF ALBANY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 16- ACCOUNT RECEIVABLE, REGION & INVESTMENT CONCENTRATION - CONTINUED

The Boys & Girls Clubs of Albany, Inc. rely on investment advisors to manage both investment and endowment funds to mitigate market risk. Investment fees for endowments and other investments totaled \$15,445.

NOTE 17- FUNDRAISING

The Boys & Girls Clubs of Albany, Inc. sponsors a steak dinner fundraiser during the year. The respective income is \$103,791, which represents 11% of total income. Respective expenses were \$12,315.

NOTE 18- DUES

Total dues paid to National Boys and Girls Clubs were \$7,022. Total dues paid to the Georgia Alliance of Boys and Girls Clubs were \$5,500.

NOTE 19- RELATED PARTY

There were no significant related party transactions during 2017.

NOTE 20- SUBSEQUENT EVENTS

The Organization evaluated subsequent events through August 27, 2018.

OTHER REPORTS

ROBERT BAKER and ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Board of Directors
Boys & Girls Clubs of Albany, Inc.
Albany, Georgia

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boys & Girls Clubs of Albany, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boys & Girls Clubs of Albany, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boys & Girls Clubs of Albany, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness on the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys & Girls Clubs of Albany, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in consideration of the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ROBERT BAKER and ASSOCIATES



Certified Public Accountants

Albany, Georgia

August 27, 2018

BOYS & GIRLS CLUBS OF ALBANY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2017

Auditor Reference
Number

2016-001 Segregation Of Duties - This finding was corrected.

BOYS & GIRLS CLUBS OF ALBANY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2017

Auditor Reference
Number

-NONE-