



BOYS & GIRLS CLUBS
OF GREATER KANSAS CITY

FINANCIAL STATEMENTS

Year Ended December 31, 2016
with
Independent Auditors' Report

**BOYS AND GIRLS CLUBS
OF GREATER KANSAS CITY**

FINANCIAL STATEMENTS

December 31, 2016

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1 – 2
Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows.....	6
Notes to Financial Statements	7 – 20
Supplemental Information:	
Independent Auditors' Report on Supplemental Information.....	21
Consolidating Statement of Financial Position	22
Consolidating Statement of Activities and Changes in Net Assets.....	23
Consolidating Statement of Cash Flows	24



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors

Boys & Girls Clubs of Greater Kansas City

We have audited the accompanying consolidated financial statements of **Boys & Girls Clubs of Greater Kansas City** (the Clubs) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 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 audit. We conducted our audit 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 auditors consider 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.

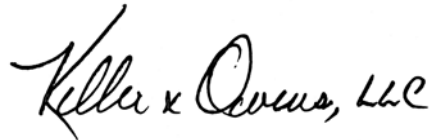
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Boys & Girls Clubs of Greater Kansas City** as of December 31, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the **Boys & Girls Clubs of Greater Kansas City's** 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Keller & Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
August 22, 2017

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION December 31, 2016

(With comparative totals as of December 31, 2015)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents:		
Operating	\$ 735,841	\$ 637,268
Designated cash	30,154	9,138
Total Cash and Cash Equivalents	<u>765,995</u>	<u>646,406</u>
Certificates of deposit, at cost	215,139	214,760
Operating pledges current	27,807	56,250
Investments	840,952	799,015
Grants and accounts receivable	633,036	606,098
Note receivable - KCMO Investment Fund	3,726,000	3,726,000
Unconditional promises to give, current portion less allowance for uncollectibles	520,255	508,519
Prepaid expenses and deposits	<u>38,290</u>	<u>59,526</u>
Total Current Assets	6,767,474	6,616,574
Cash Restricted for Capital Improvements	152,465	60,826
Long-term Unconditional Promises to Give, less current portion above	25,592	150,444
Long-Term Operating Pledges	-	50,000
Interest in Affiliated Entity	2,163,958	2,271,305
Property and Equipment, at cost, less accumulated depreciation	<u>11,275,767</u>	<u>11,852,300</u>
Total Assets	<u>\$ 20,385,256</u>	<u>\$ 21,001,449</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 591,135	\$ 500,258
Deferred rent	60,147	57,891
Other deferred revenue	559,744	409,277
Current portion of long-term debt	<u>122,534</u>	<u>38,704</u>
Total Current Liabilities	1,333,560	1,006,130
Long-Term Debt - New Markets	4,808,243	4,900,000
Long-Term Debt - other, less current portion above	<u>31,543</u>	<u>62,734</u>
Total Long-Term Liabilities	<u>4,839,786</u>	<u>4,962,734</u>
Total Liabilities	6,173,346	5,968,864
Net Assets:		
Unrestricted:		
Undesignated	12,392,863	13,095,750
Board designated	<u>761,268</u>	<u>729,168</u>
Total Unrestricted Net Assets	13,154,131	13,824,918
Temporarily restricted	1,051,096	1,200,984
Permanently restricted	<u>6,683</u>	<u>6,683</u>
Total Net Assets	<u>14,211,910</u>	<u>15,032,585</u>
Total Liabilities and Net Assets	<u>\$ 20,385,256</u>	<u>\$ 21,001,449</u>

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2016

(With comparative totals for the year ended December 31, 2015)

	2016			Totals	2015 Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Grants and Contributions	\$ 4,522,147	\$ 473,712	\$ -	\$ 4,995,859	\$ 4,810,723
Other Support and Revenue:					
Special events:					
Special event income	1,842,475	-	-	1,842,475	1,673,719
Special event expenses	<u>(597,796)</u>	-	-	<u>(597,796)</u>	<u>(537,069)</u>
Net special event income	1,244,679	-	-	1,244,679	1,136,650
Membership dues and program service fees	90,337	-	-	90,337	50,534
Rental income	163,171	-	-	163,171	157,782
Investment return	44,117	10,052	-	54,169	(33,508)
Equity in earnings of affiliated entity	(110,347)	-	-	(110,347)	(105,485)
Summer school	589,892	-	-	589,892	573,189
Food subsidy	578,471	-	-	578,471	554,500
Other income	137,722	-	-	137,722	136,287
Net assets released from restrictions	<u>633,652</u>	<u>(633,652)</u>	-	<u>-</u>	<u>-</u>
Total Other Support and Revenue	<u>3,371,694</u>	<u>(623,600)</u>	-	<u>2,748,094</u>	<u>2,469,949</u>
Total Support and Revenue	7,893,841	(149,888)	-	7,743,953	7,280,672
Expenses:					
Program services	6,694,860	-	-	6,694,860	6,156,018
Supporting services:					
Fundraising	622,177	-	-	622,177	642,576
Management and general	<u>1,247,591</u>	-	-	<u>1,247,591</u>	<u>1,009,134</u>
Total Supporting Services	<u>1,869,768</u>	-	-	<u>1,869,768</u>	<u>1,651,710</u>
Total Expenses	<u>8,564,628</u>	-	-	<u>8,564,628</u>	<u>7,807,728</u>
Change in Net Assets	(670,787)	(149,888)	-	(820,675)	(527,056)
Net Assets, Beginning of Year	<u>13,824,918</u>	<u>1,200,984</u>	<u>6,683</u>	<u>15,032,585</u>	<u>15,559,641</u>
Net Assets, End of Year	<u>\$ 13,154,131</u>	<u>\$ 1,051,096</u>	<u>\$ 6,683</u>	<u>\$ 14,211,910</u>	<u>\$ 15,032,585</u>

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

(With comparative totals for the year ended December 31, 2015)

	2016			Total	2015
	Program	Fundraising	Management and General		
Salaries	\$ 3,049,273	\$ 377,510	\$ 652,878	\$ 4,079,661	\$ 3,572,169
Employee benefits	639,308	97,516	164,751	901,575	734,982
Professional fees	114,811	761	94,625	210,197	350,810
Supplies	300,771	12,393	43,973	357,137	301,276
Telephone	35,092	4,563	7,514	47,169	62,556
Postage	1,520	2,511	1,454	5,485	14,549
Occupancy	942,345	40,947	42,543	1,025,835	918,929
Printing and subscriptions	62,326	10,345	322	72,993	41,198
Transportation	113,031	2,416	8,271	123,718	107,345
Equipment rental/maintenance	23,642	3,002	4,418	31,062	23,924
Food and beverage	358,263	452	15,684	374,399	340,594
Dues and contributions	162,883	2,538	34,396	199,817	208,635
Bank fees	-	-	68,530	68,530	68,005
Marketing and advertising	26,997	25,332	1,017	53,346	75,633
Training	30,370	6,217	14,683	51,270	58,872
Miscellaneous	12,817	-	7,411	20,228	12,730
Interest, fees and credit card interest	905	-	49,447	50,352	40,869
	5,874,354	586,503	1,211,917	7,672,774	6,933,076
Total Expenses Before Depreciation					
Depreciation	820,506	35,674	35,674	891,854	874,652
	\$ 6,694,860	\$ 622,177	\$ 1,247,591	\$ 8,564,628	\$ 7,807,728
Total Functional Expenses					

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

(With comparative totals for the year ended December 31, 2015)

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ (820,675)	\$ (527,056)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	891,854	874,652
Loss on disposal of fixed assets	-	3,427
Donated stock	(64,955)	(60,703)
Realized and unrealized (gain) loss on investments	(42,341)	53,446
Operating pledges - current	28,443	(42,625)
Operating pledges - Olathe	78,166	(130,867)
Operating pledges - long term	50,000	(50,000)
Interest in affiliated entity	107,347	105,485
Change in operating assets and liabilities:		
Grants and accounts receivable	(26,938)	213,932
Prepaid expenses and deposits	21,236	7,780
Deferred rent	2,256	35,877
Other deferred revenue	150,467	(4,821)
Accounts payable and accrued expenses	90,877	(149,595)
Net Cash Provided by Operating Activities	465,737	328,932
Cash Flows from Investing Activities:		
Net capital campaign activity	34,950	(169,402)
Net change in certificates of deposit, at cost	(379)	(395)
Change in cash restricted for capital improvements	(91,639)	215,883
Purchase of property and equipment	(315,321)	(123,908)
Proceeds from sale of investments	1,009,769	840,317
Purchase of investments	(944,410)	(776,390)
Net Cash Used by Investing Activities	(307,030)	(13,895)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	500,000	650,000
Repayment of long-term debt	(539,118)	(695,599)
Net Cash Used by Financing Activities	(39,118)	(45,599)
Net Change in Cash and Cash Equivalents	119,589	269,438
Cash and Cash Equivalents, Beginning of Year	646,406	376,968
Cash and Cash Equivalents, End of Year	\$ 765,995	\$ 646,406

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Boys and Girls Clubs of Greater Kansas City (the Clubs) is a Missouri not-for-profit corporation organized to promote educational, vocational, social, character and leadership development of youth. The aim is to help young people improve their lives by building self-esteem and developing values and skills during critical periods of growth. The Clubs' donors and program participants are mainly located in the Kansas City, Missouri metropolitan area.

Boys and Girls Clubs New Markets, Inc. (the Markets) was formed under the laws of Missouri on December 8, 2009, to meet the necessary structuring requirements to enter into a transaction intended to qualify for the New Markets Tax Credit, as outlined in Internal Revenue Code (IRC) Section 45D.

Advertising - The Clubs expense advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2016 and 2015 was \$53,346 and \$75,633 respectively.

Basis of Accounting - The Clubs prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210. Under FASB ASC 958-210, the Clubs are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Board Designated Net Assets - Board designated net assets consist primarily of reserves for specific uses, including operating reserves, endowment funds and other reserves.

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash consists of cash, non-interest-bearing checking accounts and short-term money market investments. Cash does not include cash restricted for long-term purposes such as capital improvements.

Comparative Information – The financial statements include certain prior year summarized information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Clubs' financial statements for the year ended December 31, 2015 from which the information is derived.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Risk – The Clubs maintain their cash and cash equivalents in four financial institutions located in the greater Kansas City, Missouri area. At times during the year some of the Clubs' balances exceed federally insured limits. The Clubs have not experienced any losses in these accounts in the past, and management believes the Clubs are not exposed to significant credit risks as they periodically evaluate the strength of the financial institutions in which the Clubs deposits funds.

Contributions - The Clubs follow the accounting principles under FASB ASC 958-605. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support and investment income 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 income is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Assets and Services – Donated assets and services are reflected as contributions at their estimated fair value at the date of receipt. During the year, \$25,000 of marketing and advertising, \$62,325 of printing services, \$48,040 related to special events, \$20,000 of fixed assets, and supplies and other miscellaneous non-cash donations of \$196,375 were donated. Two stock donations were received during the year with fair values at the date of the gifts totaling \$64,955. In addition, a substantial number of volunteers have donated thousands of hours of their time during the years ended December 31, 2016 and 2015, which do not meet the requirements of contributions under FASB ASC 958-605 and, accordingly, are not recorded in these financial statements.

Functional Expenses – The Clubs allocate expenses on a functional basis among the various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the program or support service.

Income Taxes - The Clubs are classified as tax exempt under Section 501(c)(3) of the Internal Revenue Code and do not incur income taxes. In addition, the Clubs have been classified as a publicly-supported organization which is not a private foundation within the meaning of Section 509(a)(1) of the code.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued) – The Clubs have adopted FASB ASC 740-10 as it might apply to the Clubs’ financial transactions. The Clubs’ policy is to record a liability for any tax position that is beneficial to the Clubs, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2016 and, accordingly, no liability has been accrued.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value. Unrealized gains and losses are included in investment income in the accompanying statement of activities.

Permanently Restricted Net Assets – Permanently restricted net assets consist of a single contribution of cash, the interest on which is to be used for scholarships. Amounts received during the year that are permanently restricted by donors are recorded as being permanently restricted. Earnings on permanently restricted net assets that are to be expended in accordance with the desires of donors are recorded as temporarily restricted net assets. Once expenses are incurred for their donor-restricted purpose the earnings are released from restriction.

Principles of Consolidation - The consolidated statements of the Clubs and the Markets are prepared in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profits related by common control. All material intercompany balances and transactions have been eliminated in consolidation.

Property and Equipment - Property and equipment are stated at cost at the date of acquisition or fair value at date of donation, over a nominal amount, in the case of gift. 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 support. Maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. Lives for depreciation are as follows:

Building and improvements	10 - 30 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 5 years

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications – Certain accounts in the prior-year comparative financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Subsequent Events - Management has evaluated events and transactions that have occurred since December 31, 2016 and reflected their effects, if any, in these financial statements through August 22, 2017, the date the financial statements were available to be issued.

Unconditional Promise to Give – Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

The following table sets forth information about the level within the fair value hierarchy at which the Clubs' financial assets and liabilities are measured on a recurring basis at December 31, 2016:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Quoted Prices In Pooled Funds (Level 2)
Assets:			
Investments:			
Cash and cash equivalents	\$ 9,284	\$ 9,193	\$ 91
Equities:			
Domestic	512,126	478,558	33,568
Fixed Income:			
Domestic	<u>319,542</u>	<u>297,705</u>	<u>21,837</u>
Total Assets, recurring basis	<u>\$ 840,952</u>	<u>\$ 785,456</u>	<u>\$ 55,496</u>

The following table sets forth information about the level within the fair value hierarchy at which the Clubs' financial assets and liabilities are measured on a recurring basis at December 31, 2015:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Quoted Prices In Pooled Funds (Level 2)
Assets:			
Investments:			
Cash and cash equivalents	\$ 9,853	\$ 8,954	\$ 899
Equities:			
Domestic	357,594	324,838	32,756
Fixed Income:			
Domestic	<u>431,568</u>	<u>409,514</u>	<u>22,054</u>
Total Assets, recurring basis	<u>\$ 799,015</u>	<u>\$ 743,306</u>	<u>\$ 55,709</u>

The fair value of investments in pooled equity investments and pooled fixed income funds is based on their reported net asset values (NAV) per share as a practical expedient. The funds that the Clubs have invested in these accounts may be liquidated upon request and are thus classified as level 2.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

3. INVESTMENTS

Investments at December 31 consisted of the following:

	2016	2015
Exchange traded funds	\$ 512,126	\$ 357,594
Cash and cash equivalents	9,284	9,853
Fixed income securities	319,542	431,568
Total Investments	\$ 840,952	\$ 799,015

Return from investments is summarized as follows:

Interest and dividends	\$ 19,020	\$ 26,167
Net realized gains	5,222	155,777
Net unrealized gains (loss)	37,119	(209,223)
Management fees	(7,192)	(6,229)
Total Investment Return	\$ 54,169	\$ (33,508)

4. UNCONDITIONAL PROMISES TO GIVE

Included in unconditional promises to give are unconditional promises to give to operations and capital campaigns:

	2016	2015
Unconditional promises to give - capital campaign pledges	\$ 575,062	\$ 774,769
Less: Unamortized discount (at 4% discount)	1,408	9,556
	573,654	765,213
Less: Allowance for uncollectibles	-	-
Net unconditional promise to give	\$ 573,654	\$ 765,213

Amounts due in:

Years Ending December 31,

2017	\$ 548,062
2018	17,000
2019	10,000
Total	\$ 575,062

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

5. INTEREST IN AFFILIATED ENTITY

The Clubs have entered into a joint venture with Mt. Carmel Redevelopment Corporation (MCRC), an unrelated not-for-profit organization, to construct and operate a community center in Kansas City, Kansas. During December 2004, the Clubs formalized this venture by forming Heathwood Community Center LLC (HCC), a not-for-profit organized under Internal Revenue Code Section 501(c)(3). The operating agreement provides for each entity to maintain 50% control over the project. The Clubs have accounted for their interest in HCC under the equity method of accounting and have included the value on the statement of financial position as an interest in affiliated entity. Any inter-company transactions have been eliminated. The following information summarizes the total activity of the joint venture through December 31, 2016: Total assets \$4,360,105, total liabilities \$32,189, net assets \$4,327,916, revenues \$252,990, net loss (\$220,694).

6. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	2016	2015
Buildings and improvements	\$ 22,413,274	\$ 22,102,431
Furniture and equipment	1,380,865	1,369,833
Vehicles	307,418	265,972
	24,101,557	23,738,236
Accumulated depreciation	(13,618,860)	(12,727,006)
	10,482,697	11,011,230
Land	793,070	793,070
Construction in progress	-	48,000
Total Property and Equipment	\$ 11,275,767	\$ 11,852,300

The aggregate depreciation expense charged to operations for the years ended December 31, 2016 and 2015 was \$891,854 and \$874,652 respectively.

7. LINE OF CREDIT

The Clubs have a \$500,000 bank line of credit that has a variable rate of interest based on the UMB prime rate at the beginning of each quarter, with a floor of 3.25%. The interest rate at December 31, 2016 was 3.5%. The line of credit was renewed in April, 2013 as a revolving line of credit that is due on demand. The loan is secured by the endowment assets.

\$ - \$ -

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

8. LONG-TERM DEBT

	2016	2015
<p>Note bearing interest at 1.39%, payable in quarterly installments of \$12,914, interest only through February, 2017 at which time principal and interest payments of \$36,092 per quarter will be due. The loan matures on February 19, 2045. The loan is collateralized by property owned by the Clubs (*Leslie property, East 43rd property and Elmwood property). The Clubs were not in compliance with a covenant to supply audited financial statements to the lender within a specified time period after year-end. The lender has waived the requirement for this year.</p>	\$ 3,726,000	\$ 3,726,000
<p>Note bearing interest at 1.39%, payable in quarterly installments of \$4,069, interest only until February, 2017 at which time quarterly interest and principal payments of \$11,371 will be due. The loan matures on February 19, 2045. The loan is collateralized by property owned by the Clubs*. The Clubs were not in compliance with a covenant to supply audited financial statements to the lender within a specified time period after year-end. The lender has waived that requirement for this year.</p>	1,174,000	1,174,000
<p>Note bearing interest at 3.84%, interest and principal payments of \$550 due through November, 2021 at which time any interest and remaining principal payments become due. The note is collateralized by the vehicle financed by this note.</p>	29,521	35,316
<p>Note bearing interest at 4.0%, interest and principal payments of \$380 due through June 2017 at which time any interest and remaining principal payments become due. The note is collateralized by the vehicle financed by this note.</p>	2,218	6,593

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

8. LONG-TERM DEBT (continued)

	2016	2015
<p>Note bearing interest at 5.0%, interest and principal payments of \$472 due through January, 2017 at which time any interest and remaining principal payments become due. The note is collateralized by the vehicle financed by this note. The Clubs were not in compliance with a covenant to supply audited financial statements to the lender within a specified time period after year-end. The lender has waived that requirement for this year.</p>	470	5,959
<p>Note bearing interest at 3.75% payable in monthly installments of \$1,176 including interest. Final payment is due May, 2018. The note is collateralized by the computers financed by this note.</p>	19,459	32,539
<p>Note bearing interest at 3.75% payable in monthly installments of \$913 including interest. Final payment is due October, 2017. The note is collateralized by the computers financed by this note.</p>	<u>10,652</u> \$ 4,962,320	<u>21,031</u> \$ 5,001,438
<p>Current portion of long-term debt</p>	<u>(122,534)</u>	<u>(38,704)</u>
<p style="padding-left: 40px;">Total Long-term Debt</p>	<u>\$ 4,839,786</u>	<u>\$ 4,962,734</u>

Maturities on long-term debt are as follows:

Years Ending December 31

2017	\$ 122,534
2018	137,200
2019	131,568
2020	133,552
2021	135,022
Thereafter	<u>4,302,444</u>
Total	<u>\$ 4,962,320</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

9. ENDOWMENTS

The Board of Directors of the Clubs have interpreted the Missouri Uniform State 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 Clubs classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 prescribed 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.

As of December 31, 2016, the Board of Directors had designated \$460,187 of unrestricted net assets as a general endowment for membership and college scholarships for kids. Since this amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets. In addition, donors had contributed an additional \$324,977 for the same purpose. These funds are classified as temporarily restricted net assets until used for the purposes the donor stipulated.

The Clubs have a combined 5% maximum spending policy of appropriating for distribution each year of the temporarily restricted portion of the endowment's fair value and of the board-designated unrestricted portion of the endowment's fair value. In establishing this policy, the Clubs considered the long-term expected investment return on its endowment. Accordingly, over the long-term, the Clubs expect the current spending policy to allow this endowment fund to grow at an average of 5% annually. This is consistent with the Clubs' objective to maintain the historic dollar value of the endowment assets as well as to provide additional growth through investment return.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

9. ENDOWMENTS (continued)

To achieve that objective, the Clubs have adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a variety of equity mutual funds that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make the annual distributions while growing the fund if possible. The Clubs have established the following ranges by investment type: equities – 40% to 70%; fixed income – 15% to 60%; cash and equivalents – 0% to 30%; and alternative assets – 0% to 15%. The Clubs expect its endowment assets, over time, to produce an average rate of return over inflation, as measured by the Consumer Price Index, of approximately 5% annually, after fees. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocations between asset classes and strategies are managed to not expose the fund to unacceptable risks.

Composition of and changes in endowment net assets for the year ended December 31, 2016 were as follows:

	<u>Board- Designated</u>	<u>Donor- Restricted</u>
Net assets, beginning of year	\$ 448,510	\$ 293,743
Contributions	-	21,182
Investment income	9,913	8,534
Net appreciation	5,334	4,592
Fees and disbursement amounts appropriated for expenditure	<u>(3,570)</u>	<u>(3,074)</u>
Net assets, end of year	<u>\$ 460,187</u>	<u>\$ 324,977</u>

Composition of and changes in endowment net assets for the year ended December 31, 2015 were as follows:

	<u>Board- Designated</u>	<u>Donor- Restricted</u>
Net assets, beginning of year	\$ 496,284	\$ 301,071
Contributions	-	20,928
Investment income	13,403	7,927
Net depreciation	(57,620)	(34,079)
Fees and disbursement amounts appropriated for expenditure	<u>(3,557)</u>	<u>(2,104)</u>
Net assets, end of year	<u>\$ 448,510</u>	<u>\$ 293,743</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

10. OPERATING LEASES

The Clubs entered into a lease agreement for office space on August 15, 2014 and certain equipment under operating leases. Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year are as follows:

<u>Year Ending December 31,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 206,899	\$ 21,780	\$ 228,679
2018	239,183	21,780	260,963
2019	196,252	1,912	198,164
2020	138,106	-	138,106
2021	140,175	-	140,175
Thereafter	<u>469,670</u>	<u>-</u>	<u>469,670</u>
Totals	<u>\$ 1,390,285</u>	<u>\$ 45,472</u>	<u>\$ 1,435,757</u>

Total rental expense under operating leases with terms in excess of one month amounted to \$199,991 and \$165,766 for the years ended December 31, 2016 and 2015, respectively.

11. LEASE COMMITMENTS

The Organization rents a portion of the “Thornberry Unit” to a school. The lease calls for rent in the amount of \$1.00 per month. In addition, the school is required to pay additional rent equal to the allocated expenses of the property. The lease is for 30 years but also has two optional 10-year renewal terms. Total rent received was \$163,171 and \$157,782 for the years ended December 2016 and 2015, respectively.

12. PENSION PLAN

The Clubs have a defined contribution pension plan covering substantially all full-time employees who have completed at least one year of service. The Clubs make discretionary contributions based on the participants’ qualifying wages and their contributions through compensation reduction. No discretionary contributions were made in 2016. The 401(K) match was \$70,484 and \$68,546 for the years ended December 31, 2016 and 2015, respectively.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

13. CASH FLOW DISCLOSURES

Designated cash includes funds that have been designated by the Board of Directors for specific uses, including operating reserves, and other reserves.

	<u>2016</u>	<u>2015</u>
The following is the supplemental disclosure to the statement of cash flows:		

Cash paid for interest	<u>\$ 9,625</u>	<u>\$ 7,755</u>
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The following is a summary of non-cash investing and financing activities:

Property and equipment acquired using debt	<u>\$ -</u>	<u>\$ 75,261</u>
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14. NEW MARKETS TAX CREDIT

In 2010, **Boys and Girls Clubs New Markets, Inc.** obtained financing through the New Market Tax Credit (NMTC) program. The proceeds of \$4,900,000 were used to rehabilitate property owned by the Clubs. The NMTC financing is provided through two loans, an "A" loan and a "B" loan. Loan A, in the amount of \$3,726,000 is at a fixed rate of 1.38639% per annum and requires quarterly interest payments of \$12,914 until February, 2017 at which time quarterly principal and interest payments of \$36,092 will be due with a maturity date of February 19, 2045. No prepayment is allowed during the first seven years. Loan B, in the amount of \$1,174,000 is at a fixed rate of 1.38639% per annum and requires quarterly interest payments of \$4,069 until February, 2017 at which time quarterly principal and interest payments of \$11,371 will be due with a maturity date of February 19, 2045. No prepayment is allowed during the first seven years.

In addition, the Clubs loaned KCMO Investment Fund I, LLC \$3,726,000 which was used as the investment into KCMO CDE I, LLC which is the Community Development Entity that loaned the funds to **Boys and Girls Clubs New Markets, Inc.** The loan term is 30 years at a rate of 1.96833% and requires quarterly principal and interest payments to the Clubs of \$46,214. This loan along with a \$1,306,500 capital investment from U.S. Bancorp Community Development Corporation funded KCMO Investment Fund I, LLC.

At the end of the seven-year term, a put/call agreement may be exercised whereby U.S. Bancorp Community Development Corporation's interest is sold to the Clubs.

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

15. RESTRICTED NET ASSETS

Restricted net assets consist of the following for the years ended December 31:

	2016	2015
<u>Temporarily restricted net assets</u>		
Endowment funds	\$ 324,977	\$ 293,743
Pool repairs	-	81,200
Campaign funds	152,465	60,828
Total purpose restrictions	477,442	435,771
Pledges receivable restricted for future periods	573,654	765,213
Total time restrictions	573,654	765,213
Total Temporarily Restricted Net Assets	\$ 1,051,096	\$ 1,200,984
<u>Permanently restricted net assets</u>		
Endowment funds	\$ 6,683	\$ 6,683

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows for the years ended December 31, 2016 and 2015.

Time restricted funds	\$ 194,408	\$ -
Funds restricted for pool	81,200	48,000
Funds restricted for salary and operating	358,044	462,248
Net Assets Released from Restrictions	\$ 633,652	\$ 510,248

16. SUBSEQUENT EVENTS

In February 2017, Boys and Girls Clubs New Markets, Inc. paid off the \$4,900,000 in loans they acquired in 2010. At that time Boys and Girls Clubs New Markets, Inc. was officially dissolved and all remaining assets were transferred to Boys and Girls Clubs of Greater Kansas City.

On June 5, 2017 the Clubs increased their bank line of credit from \$500,000 to \$750,000. The variable rate line of credit matures in 2018. The current rate of interest based on the UMB prime rate at the beginning of each quarter is 4%.

On June 5, 2017 the Clubs obtained a loan for \$1,000,000 with a 4.25% interest rate. All interest and principal is to be paid in one lump sum on March 5, 2018. The loan is collateralized by the Clubs inventory, receivables and property and equipment.

Boys and Girls Clubs and Kansas City Public School District (KCPSD) entered into an agreement for the clubs to provide a summer school program at 10 KPCSD elementary schools. The program will run between June 5 and July 14.

SUPPLEMENTAL INFORMATION



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors

Boys and Girls Clubs of Greater Kansas City

We have audited the consolidated financial statements of **Boys and Girls Clubs of Greater Kansas City** as of and for the year ended December 31, 2016, and have issued our report thereon dated August 22, 2017, which contained an unmodified opinion on those financial statements and appears on pages 1 – 2. We have previously issued our opinion dated June 24, 2016 on the 2015 financial statements and supplemental information. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating statements on pages 22 – 24 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 audit 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.

A handwritten signature in black ink that reads 'Keller & Owens, LLC'. The signature is written in a cursive, flowing style.

Overland Park, Kansas

August 22, 2017

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION December 31, 2016

(With comparative totals as of December 31, 2015)

	<u>ASSETS</u>				2015
	2016				
	Boys & Girls Clubs of Greater Kansas City	Boys & Girls Clubs New Markets, Inc.	Eliminations	Total	
Current Assets:					
Cash and cash equivalents:					
Operating	\$ 733,731	\$ 2,110	\$ -	\$ 735,841	\$ 637,268
Designated cash	30,154	-	-	30,154	9,138
Total Cash and Cash Equivalents	763,885	2,110	-	765,995	646,406
Certificates of deposit, at cost	215,139	-	-	215,139	214,760
Operating pledges current	27,807	-	-	27,807	56,250
Investments	840,952	-	-	840,952	799,015
Grants and accounts receivable	633,036	-	-	633,036	606,098
Note receivable - KCMO Investment Fund	3,726,000	-	-	3,726,000	3,726,000
Unconditional promises to give, current portion					
less allowance for uncollectibles	520,255	-	-	520,255	508,519
Prepaid expenses and deposits	38,290	-	-	38,290	59,526
 Total Current Assets	 6,765,364	 2,110	 -	 6,767,474	 6,616,574
Cash Restricted for Capital Improvements	152,465	-	-	152,465	60,826
Long-term Unconditional Promises to Give,					
less current portion above	25,592	-	-	25,592	150,444
Long-term Operating Pledges	-	-	-	-	50,000
Interest in Affiliated Entity	2,163,958	-	-	2,163,958	2,271,305
Property and Equipment, at cost,					
less accumulated depreciation	3,930,078	7,345,689	-	11,275,767	11,852,300
 Total Assets	 <u>\$ 13,037,457</u>	 <u>\$ 7,347,799</u>	 <u>\$ -</u>	 <u>\$ 20,385,256</u>	 <u>\$ 21,001,449</u>
 <u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 591,135	\$ -	\$ -	\$ 591,135	\$ 500,258
Deferred rent	60,147	-	-	60,147	57,891
Other deferred revenue	559,744	-	-	559,744	409,277
Current portion of long-term debt	30,777	91,757	-	122,534	38,704
 Total Current Liabilities	 1,241,803	 91,757	 -	 1,333,560	 1,006,130
Long-Term Debt - New Markets	-	4,808,243	-	4,808,243	4,900,000
Long-Term Debt - other, less current portion above	31,543	-	-	31,543	62,734
 Total Long-Term Liabilities	 31,543	 4,808,243	 -	 4,839,786	 4,962,734
 Total Liabilities	 1,273,346	 4,900,000	 -	 6,173,346	 5,968,864
Net Assets:					
Unrestricted:					
Undesignated	9,945,064	2,447,799	-	12,392,863	13,095,750
Board designated	761,268	-	-	761,268	729,168
Total Unrestricted Net Assets	10,706,332	2,447,799	-	13,154,131	13,824,918
Temporarily restricted	1,051,096	-	-	1,051,096	1,200,984
Permanently restricted	6,683	-	-	6,683	6,683
 Total Net Assets	 11,764,111	 2,447,799	 -	 14,211,910	 15,032,585
 Total Liabilities and Net Assets	 <u>\$ 13,037,457</u>	 <u>\$ 7,347,799</u>	 <u>\$ -</u>	 <u>\$ 20,385,256</u>	 <u>\$ 21,001,449</u>

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2016

(With comparative totals for the year ended December 31, 2015)

	2016				2015
	Boys & Girls Clubs of Greater Kansas City	Boys & Girls Clubs New Markets, Inc.	Eliminations	Totals	
Grants and Contributions	\$ 4,995,859	\$ 83,084	\$ (83,084)	\$ 4,995,859	\$ 4,810,723
Other Support and Revenue:					
Special events:					
Special event income	1,842,475	-	-	1,842,475	1,673,719
Special event expenses	(597,796)	-	-	(597,796)	(537,069)
Net special event income	1,244,679	-	-	1,244,679	1,136,650
Membership dues and program service fees	90,337	-	-	90,337	50,534
Rental income	163,171	-	-	163,171	157,782
Investment return	54,168	1	-	54,169	(33,508)
Equity in earnings of affiliated entity	(110,347)	-	-	(110,347)	(105,485)
Summer school	589,892	-	-	589,892	573,189
Food subsidy	578,471	-	-	578,471	554,500
Other income	137,722	-	-	137,722	136,287
Total Other Support and Revenue	<u>2,748,093</u>	<u>1</u>	<u>-</u>	<u>2,748,094</u>	<u>2,469,949</u>
Total Support and Revenue	7,743,952	83,085	(83,084)	7,743,953	7,280,672
Expenses:					
Program services	6,371,914	406,030	(83,084)	6,694,860	6,156,018
Supporting services:					
Fundraising	604,818	17,359	-	622,177	642,576
Management and general	1,156,834	90,757	-	1,247,591	1,009,134
Total Supporting Services	<u>1,761,652</u>	<u>108,116</u>	<u>-</u>	<u>1,869,768</u>	<u>1,651,710</u>
Total Expenses	<u>8,133,566</u>	<u>514,146</u>	<u>(83,084)</u>	<u>8,564,628</u>	<u>7,807,728</u>
Change in Net Assets	(389,614)	(431,061)	-	(820,675)	(527,056)
Net Assets, Beginning of Year	<u>12,153,725</u>	<u>2,878,860</u>	<u>-</u>	<u>15,032,585</u>	<u>15,559,641</u>
Net Assets, End of Year	<u>\$ 11,764,111</u>	<u>\$ 2,447,799</u>	<u>\$ -</u>	<u>\$ 14,211,910</u>	<u>\$ 15,032,585</u>

See accompanying notes

BOYS AND GIRLS CLUBS OF GREATER KANSAS CITY

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

(With comparative totals for the year ended December 31, 2015)

	2016				2015
	Boys & Girls Clubs of Greater Kansas City	Boys & Girls Clubs New Markets, Inc.	Eliminations	Total	
Cash Flows From Operating Activities:					
Change in net assets	\$ (389,614)	\$ (431,061)	\$ -	\$ (820,675)	\$ (527,056)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:					
Depreciation	458,738	433,116	-	891,854	874,652
Loss on disposal of fixed assets	-	-	-	-	3,427
Donated stock	(64,955)	-	-	(64,955)	(60,703)
Realized and unrealized (gain) loss on investments	(42,341)	-	-	(42,341)	53,446
Operating pledges - current	28,443	-	-	28,443	(42,625)
Operating pledges - Olathe	78,166	-	-	78,166	(130,867)
Operating pledges - long term	50,000	-	-	50,000	(50,000)
Interest in affiliated entity	107,347	-	-	107,347	105,485
Change in operating assets and liabilities:					
Grants and accounts receivable	(26,938)	-	-	(26,938)	213,932
Prepaid expenses and deposits	21,236	-	-	21,236	7,780
Deferred rent	2,256	-	-	2,256	35,877
Other deferred revenue	150,467	-	-	150,467	(4,821)
Accounts payable and accrued expenses	90,877	-	-	90,877	(149,595)
Net Cash Provided by Operating Activities	463,682	2,055	-	465,737	328,932
Cash Flows from Investing Activities:					
Net capital campaign activity	34,950	-	-	34,950	(169,402)
Net change in certificates of deposit, at cost	(379)	-	-	(379)	(395)
Change in cash restricted for capital improvements	(91,639)	-	-	(91,639)	215,883
Purchase of property and equipment	(315,321)	-	-	(315,321)	(123,908)
Proceeds from sale of investments	1,009,769	-	-	1,009,769	840,317
Purchase of investments	(944,410)	-	-	(944,410)	(776,390)
Net Cash Used by Investing Activities	(307,030)	-	-	(307,030)	(13,895)
Cash Flows from Financing Activities:					
Proceeds from long-term debt	500,000	-	-	500,000	650,000
Repayment of long-term debt	(539,118)	-	-	(539,118)	(695,599)
Net Cash Used by Financing Activities	(39,118)	-	-	(39,118)	(45,599)
Net Change in Cash and Cash Equivalents	117,534	2,055	-	119,589	269,438
Cash and Cash Equivalents, Beginning of Year	646,351	55	-	646,406	376,968
Cash and Cash Equivalents, End of Year	\$ 763,885	\$ 2,110	\$ -	\$ 765,995	\$ 646,406