



LOFTIS GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS ▪ BUSINESS ADVISORS

Boys & Girls Clubs of Central New Mexico



Combined Financial Statements
and
Independent Auditors' Report

December 31, 2016 and 2015

Boys & Girls Clubs of Central New Mexico

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Independent Auditors' Report

Board of Directors
Boys & Girls Clubs of Central New Mexico

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Boys & Girls Clubs of Central New Mexico (the "Club") (a nonprofit organization), which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities, functional expenses, and cash flows for the years 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 combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Club's preparation and fair presentation of the combined 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 Club'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Club as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years 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 issued our report dated June 14, 2017, on our consideration of the Club's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 on accordance with *Government Auditing Standards* in considering the Club's internal control over financial reporting and compliance.

Loftis Group LLC

Albuquerque, New Mexico
June 14, 2017

Financial Statements

Boys & Girls Clubs of Central New Mexico
Combined Statements of Financial Position
December 31,

Assets	2016	2015
Current assets		
Cash and cash equivalents	\$ 55,417	\$ 15,972
Contracts and other receivables, net	121,920	116,924
Prepaid expense	21,862	26,756
Total current assets	199,199	159,652
Investments - endowment trust	1,157,220	1,014,405
Endowment fund	142,816	137,711
Property, furniture and equipment, net	899,189	948,009
Total assets	\$ 2,398,424	\$ 2,259,777
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 81,926	\$ 71,993
Accrued liabilities	34,147	21,935
Note payable - current portion	20,485	19,490
Line of credit	434,400	375,000
Total current liabilities	570,958	488,418
Amounts held for others	14,928	-
Note payable - less current portion	36,493	56,978
Total liabilities	622,379	545,396
Net assets		
Unrestricted		
Undesignated	297,683	471,135
Designated - endowment trust	1,157,220	1,014,405
Total unrestricted net assets	1,454,903	1,485,540
Temporarily restricted	162,608	70,307
Permanently restricted	158,534	158,534
Total net assets	1,776,045	1,714,381
Total liabilities and net assets	\$ 2,398,424	\$ 2,259,777

The accompanying notes are an integral part of these financial statements.

Boys & Girls Clubs of Central New Mexico
Combined Statement of Activities
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions and grants	\$ 653,852	\$ 138,336	\$ -	\$ 792,188
Special events, net of expenses of \$264,943	268,263	-	-	268,263
Program service fees	401,812	-	-	401,812
Endowment income	179,805	-	-	179,805
In-kind contributions	61,002	-	-	61,002
Summer food service meals	43,521	-	-	43,521
Membership dues	24,609	-	-	24,609
Other	13,134	-	-	13,134
Trust	1,062	-	-	1,062
Net assets released from restriction	<u>46,035</u>	<u>(46,035)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,693,095</u>	<u>92,301</u>	<u>-</u>	<u>1,785,396</u>
Expenses				
Program services	1,595,774	-	-	1,595,774
Support services				
Management and general	89,323	-	-	89,323
Fundraising	<u>38,635</u>	<u>-</u>	<u>-</u>	<u>38,635</u>
Total expenses	<u>1,723,732</u>	<u>-</u>	<u>-</u>	<u>1,723,732</u>
Change in net assets	(30,637)	92,301	-	61,664
Net assets, beginning of year	<u>1,485,540</u>	<u>70,307</u>	<u>158,534</u>	<u>1,714,381</u>
Net assets, end of year	<u><u>\$ 1,454,903</u></u>	<u><u>\$ 162,608</u></u>	<u><u>\$ 158,534</u></u>	<u><u>\$ 1,776,045</u></u>

The accompanying notes are an integral part of these financial statements.

Boys & Girls Clubs of Central New Mexico
Combined Statement of Activities
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions and grants	\$ 524,843	\$ 70,307	\$ -	\$ 595,150
Special events, net of expenses of \$249,025	321,779	-	-	321,779
Program service fees	335,118	-	-	335,118
Endowment loss	(10,597)	-	-	(10,597)
In-kind contributions	68,380	-	-	68,380
Summer food service meals	31,539	-	-	31,539
Membership dues	24,490	-	-	24,490
Other	10,212	-	-	10,212
Trust	1,116	-	-	1,116
Net assets released from restriction	<u>75,497</u>	<u>(75,497)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,382,377</u>	<u>(5,190)</u>	<u>-</u>	<u>1,377,187</u>
Expenses				
Program services	1,386,598	-	-	1,386,598
Support services				
Management and general	107,603	-	-	107,603
Fundraising	<u>36,799</u>	<u>-</u>	<u>-</u>	<u>36,799</u>
Total expenses	<u>1,531,000</u>	<u>-</u>	<u>-</u>	<u>1,531,000</u>
Change in net assets	(148,623)	(5,190)	-	(153,813)
Net assets, beginning of year	<u>1,634,163</u>	<u>75,497</u>	<u>158,534</u>	<u>1,868,194</u>
Net assets, end of year	<u>\$ 1,485,540</u>	<u>\$ 70,307</u>	<u>\$ 158,534</u>	<u>\$ 1,714,381</u>

The accompanying notes are an integral part of these financial statements.

Boys & Girls Clubs of Central New Mexico
Combined Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services	Management and General	Fund- raising	Total
Salaries	\$ 839,321	\$ 71,278	\$ 29,699	\$ 940,298
Occupancy	103,766	620	259	104,645
Depreciation	96,312	30	12	96,354
Payroll taxes	83,745	2,558	1,066	87,369
Program	67,478	-	-	67,478
Professional fees	59,418	4,874	2,031	66,323
Employee benefits	47,470	2,152	897	50,519
Supplies	46,074	372	155	46,601
Miscellaneous	43,132	1,632	679	45,443
Scholarships	45,368	-	-	45,368
Summer food service meals	41,055	-	1,384	42,439
Marketing	20,599	1,191	496	22,286
Bad debt	20,045	650	271	20,966
Interest	18,611	1,245	519	20,375
Travel	15,277	913	415	16,605
Vehicle	14,084	4	1	14,089
National dues	11,212	562	234	12,008
Rent	10,451	725	302	11,478
Loss on sale of fixed assets	5,927	-	-	5,927
Board	3,337	280	117	3,734
Postage	3,092	237	98	3,427
Total expenses	<u>\$ 1,595,774</u>	<u>\$ 89,323</u>	<u>\$ 38,635</u>	<u>\$ 1,723,732</u>

The accompanying notes are an integral part of these financial statements.

Boys & Girls Clubs of Central New Mexico
Combined Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services	Management and General	Fund- raising	Total
Salaries	\$ 760,047	\$ 80,768	\$ 27,645	\$ 868,460
Occupancy	90,309	603	207	91,119
Depreciation	97,024	69	24	97,117
Payroll taxes	70,763	7,516	2,572	80,851
Program	55,460	-	-	55,460
Professional fees	26,788	2,845	974	30,607
Employee benefits	43,371	4,606	1,577	49,554
Supplies	23,719	510	175	24,404
Miscellaneous	42,144	3,012	999	46,155
Scholarships	34,503	-	-	34,503
Summer food service meals	32,304	-	-	32,304
Marketing	17,440	1,262	432	19,134
Bad debt	18,715	1,268	434	20,417
Interest	14,047	1,033	354	15,434
Travel	20,761	2,205	755	23,721
Vehicle	17,023	-	-	17,023
National dues	5,439	306	104	5,849
Rent	9,791	861	295	10,947
Board	3,887	413	141	4,441
Postage	3,063	326	111	3,500
Total expenses	<u>\$ 1,386,598</u>	<u>\$ 107,603</u>	<u>\$ 36,799</u>	<u>\$ 1,531,000</u>

The accompanying notes are an integral part of these financial statements.

Boys & Girls Clubs of Central New Mexico
Combined Statements of Cash Flows
For the Years Ended December 31,

	2016	2015
Cash flows from operating activities		
Cash received from contributions and grants	\$ 718,663	\$ 474,233
Cash received from program service fees	356,444	300,615
Cash received from special events	350,138	404,207
Other cash receipts	38,805	35,818
Cash paid to employees and suppliers	(1,483,463)	(1,357,015)
Interest paid	(20,375)	(15,434)
Investment income	29,904	30,625
Net cash used by operating activities	(9,884)	(126,951)
Cash flows from investing activities		
Proceeds from the sale of investments	84,336	196,574
Purchases of investments	(39,695)	(133,838)
Purchases of property and equipment	(35,222)	(23,912)
Net cash provided by investing activities	9,419	38,824
Cash flows from financing activities		
Draws on line of credit	85,000	107,000
Repayments on line of credit	(25,600)	-
Principal payments on note payable	(19,490)	(18,543)
Net cash provided by financing activities	39,910	88,457
Net increase in cash and cash equivalents	39,445	330
Cash and cash equivalents, beginning of year	15,972	15,642
Cash and cash equivalents, end of year	\$ 55,417	\$ 15,972

The accompanying notes are an integral part of these financial statements.

Boys & Girls Clubs of Central New Mexico
Combined Statements of Cash Flows – continued
For the Years Ended December 31,

	2016	2015
Reconciliation of change in net assets to net cash used by operating activities		
Change in net assets	<u>\$ 61,664</u>	<u>\$ (153,813)</u>
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	96,354	97,117
Donated services and equipment	(18,240)	(30,100)
Bad debt	10,216	4,674
Net realized and unrealized (gain) loss on investments	(147,383)	41,224
Gain (loss) on endowment fund	(5,105)	13,057
Stock donations	(40,073)	(40,715)
Gain on disposal of fixed assets	5,928	-
Changes in assets and liabilities		
United Way receivable	-	18,999
Contracts and other receivables	(15,212)	(69,101)
Prepaid expense	4,894	(8,966)
Accounts payable	9,933	4,049
Accrued liabilities	12,212	(3,376)
Amounts held for others	14,928	-
Total adjustments	<u>(71,548)</u>	<u>26,862</u>
Net cash used by operating activities	<u>\$ (9,884)</u>	<u>\$ (126,951)</u>

In 2016, the Club received donated services of \$18,240 for their Schumann location for the Lowe's renovation which was started in 2016 and completed in January 2017. Total construction in progress for this project at December 31, 2016 was \$35,670.

In 2015, the Club received donated equipment with an estimated fair value of \$30,100 at the date of each contribution.

The accompanying notes are an integral part of these financial statements.

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

1) Organization

The Boys & Girls Clubs of Central New Mexico (the “Club”) is a charitable nonprofit entity established to enable all young people, especially those who need us most, to reach their full potential as productive, responsible and caring citizens.

The Club operates two centers and five satellite locations in Albuquerque and Rio Rancho. Each center offers a wide variety of programs for youth ages 5-18. The overall program mix helps members reach all their priority outcomes: Academic success, good character and leadership and healthy lifestyles.

The Club was incorporated as a nonprofit entity under the provisions of the New Mexico Business Corporation Act in 1951.

The Club’s major sources of revenue are contributions and grants, special events, and program service fees.

2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Club have been prepared on the accrual basis of accounting and, accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Club is required to report information regarding its financial position and activities accordingly to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

The Club recognizes its interest in the net assets of the Club’s Endowment Trust (the “Trust”), which is named the Albuquerque Boys Club Foundation (the “Foundation”). The purpose of the Foundation is to provide for the future financial needs of the Club. Accordingly, the Foundation’s financial statements have been combined with the Club’s financial statements.

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

2) Summary of Significant Accounting Policies – continued

Principles of Combination

The accompanying combined financial statements include the accounts of the Club and the Foundation. All material related party balances and transactions have been eliminated in combination.

Cash and Cash Equivalents

The Club considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Joint Costs

Joint costs are costs related to fund-raising activities in which programs or administrative activities can be identified and allocated as such. For example, the costs of producing and mailing a newsletter that gives general program information, but also includes a fund raising appeal, would be considered joint costs. During 2016 and 2015, the Club did not incur any significant joint costs.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined financial statements. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. All investments are held and managed by the Foundation.

Property, Furniture and Equipment

Purchased property, furniture and equipment, is stated at cost. Property, furniture, and equipment that is received by donation is recorded at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support.

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

2) Summary of Significant Accounting Policies — continued

Property, Furniture and Equipment - continued

Absent donor stipulations regarding how long donated assets must be maintained, the Club reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Club reclassifies restricted net assets to unrestricted net assets at that time. Purchased or donated property in excess of \$2,500 is capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from three to forty years.

Support

The Club reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or specify the time period for which the assets may be expended. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

Donated Materials and Services

Donated material and services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Club. During the year ended December 31, 2016, the Club received donated services of approximately \$18,000 for repairs on their Schumann location. During the year ended 2015, there were no significant donated services. Donated services are recorded at estimated fair value at date of donation. The Club has recorded contributed breakfasts and lunches valued at approximately \$44,000 and \$32,000 for the years ended December 31, 2016 and 2015, respectively, received from Albuquerque Public Schools and Rio Rancho Public Schools.

Functional Allocation of Expenses

Expenses are charged directly to program and supporting services based on specific identification, when possible. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent, square footage, etc.

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

2) Summary of Significant Accounting Policies — continued

Income Taxes

The Club is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as an organization that is not a private foundation.

Currently, the Club engages in no activities that would be taxed as unrelated business income. Accordingly, no provision for income taxes has been reflected in the Club financial statements. The Club open audit periods are for the years ending December 31, 2013 and after. The Club adopted the provision of FASB ASC 740-10 “Accounting for Uncertainty in Income Taxes”. As a result of implementation, the Club has not recognized any changes to the financial statements for uncertain tax positions.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported changes in net assets. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Club believes the carrying amount of cash and cash equivalents, receivables (net of allowances, if any), prepaid expense, accounts payable and accrued liabilities approximates fair value due to their short maturity.

Reclassification

Certain 2015 balances have been reclassified to conform to the 2016 presentation. The Club has awarded scholarships to eligible youth of approximately \$45,000 and \$35,000 for the years ended December 31, 2016 and 2015, respectively. The related revenue is recorded in the financial statement line item “Program service fees”. These reclassifications have no effect on total assets, total liabilities, or changes in net assets.

Subsequent Events

Management has evaluated subsequent events through June 14, 2017, the date the financial statements were available to be issued.

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

3) Contracts and Other Receivables

Contracts and other receivables consist of the following at December 31,:

	<u>2016</u>	<u>2015</u>
Contracts	\$ 85,017	\$ 101,187
Program	47,979	29,506
Golf tournament pledges	<u>20,930</u>	<u>8,021</u>
	\$ 153,926	138,714
Less allowance for doubtful accounts	<u>(32,006)</u>	<u>(21,790)</u>
Total	<u>\$ 121,920</u>	<u>\$ 116,924</u>

4) Investments – Endowment Trust

The Board of Directors of the Foundation typically consists of three members. Currently, there are two members, one of which is on the board of directors of the Club. The Trust agreement states that only the income from the Trust shall be provided to the Club. However, at the discretion of the trustees, additional Trust funds may be provided to the Club. The Trust assets have been classified as unrestricted designated net assets.

The Trust agreement also states that restricted donations may be accepted for the Club. Restricted donations may be commingled with other assets of the Trust. There were no temporarily or permanently restricted Foundation net assets at December 31, 2016 and 2015.

The following are assets and net assets of the Foundation, which are included in the Combined Statements of Financial Position at December 31:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 43,569	\$ 68,872
Investments	<u>1,113,651</u>	<u>945,533</u>
Net assets, unrestricted, board designated	<u>\$ 1,157,220</u>	<u>\$ 1,014,405</u>

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

4) Investments – Endowment Trust – continued

Endowment investments consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Common stocks	\$ 1,069,408	\$ 902,676
Cash equivalents	43,569	68,872
Corporate bonds	26,002	26,880
Mutual funds	18,241	15,977
Net assets, unrestricted, board designated	<u>\$ 1,157,220</u>	<u>\$ 1,014,405</u>

Endowment income (loss) consists of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Unrealized gains (losses)	\$ 128,492	\$ (41,757)
Interest and dividends	28,608	28,083
Realized gains	8,642	7,813
Total endowment income (loss)	<u>\$ 165,742</u>	<u>\$ (5,861)</u>

The Club's endowment consists of investments established to support the purposes and objectives of the Club. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Club classifies as unrestricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

4) Investments – Endowment Trust — continued

income and the appreciation of investments, (6) other resources of the Club, and (7) the Club’s investment policies.

The Club has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes stocks, bonds, certificate of deposits and cash equivalents, intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make required distributions, while growing the funds, if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Change in unrestricted designated endowment net assets as of December 31, is as follows:

	<u>2016</u>	<u>2015</u>
Endowment net assets, beginning of year	\$ 1,014,405	\$ 1,077,650
Contributions	40,073	2,625
Realized gains	8,642	7,813
Interest and dividends	28,608	28,083
Net appreciation (depreciation)	128,492	(41,757)
Amounts appropriated for expenditure	(63,000)	(60,009)
Endowment net assets, end of year	<u>\$ 1,157,220</u>	<u>\$ 1,014,405</u>

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

5) Endowment Fund

In addition to the endowment trust maintained by the Club's Foundation, the Club has endowment funds that are held by the Albuquerque Community Foundation as a part of its pooled investments. The endowment assets have been classified as permanently restricted net assets.

These assets will be returned to the Club if the Albuquerque Community Foundation ceases to be a charitable organization. Investments are stated at fair value. Annual distributions can be made pursuant to the Albuquerque Community Foundation policy. Endowment net assets were valued at approximately \$138,000 and \$143,000 for the years ending December 31, 2016 and 2015, respectively.

Changes in endowment fund net assets as of December 31, 2016 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets (deficit), beginning of year	\$ (20,823)	\$ 158,534	\$ 137,711
Investment income	1,296	-	1,296
Net appreciation	12,767	-	12,767
Investment fees	(378)	-	(378)
Grants and other	<u>(8,580)</u>	<u>-</u>	<u>(8,580)</u>
Endowment net assets (deficit), end of year	<u>\$ (15,718)</u>	<u>\$ 158,534</u>	<u>\$ 142,816</u>

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

5) Endowment fund – continued

Changes in endowment net assets as of December 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets (deficit), beginning of year	\$ (7,766)	\$ 158,534	\$ 150,768
Investment income	2,542	-	2,542
Net appreciation	(7,278)	-	(7,278)
Amounts appropriated for expenditure	(5,807)	-	(5,807)
Investment fees	<u>(2,514)</u>	<u>-</u>	<u>(2,514)</u>
Endowment net assets (deficit), end of year	<u>\$ (20,823)</u>	<u>\$ 158,534</u>	<u>\$ 137,711</u>

6) **Property, Furniture and Equipment**

Property, furniture and equipment consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 1,173,250	\$ 1,162,958
Equipment	363,228	392,108
Land	231,896	231,896
Vehicles	236,932	236,932
Construction in progress	<u>35,670</u>	<u>-</u>
	2,040,976	2,023,894
Less accumulated depreciation	<u>(1,141,787)</u>	<u>(1,075,885)</u>
Total	<u>\$ 899,189</u>	<u>\$ 948,009</u>

7) **Line of credit**

The Club has a \$500,000 line of credit with a financial institution. The agreement requires interest to be paid monthly to the financial institution at the London Interbank Offered Rate (LIBOR + 3.50%) of 3.67% at December 31, 2016 and 2015. The line of credit is secured by Trust investments. At December 31, 2016 and 2015, borrowings on the line of credit were \$434,400 and \$375,000 respectively.

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
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8) Note Payable

The note payable consists of the following as of December 31,:

	2016	2015
Note payable to a financial institution, due August 2019, monthly principal and interest payments of \$3,374, interest at 4.99%, collateralized by two buses	\$ 56,978	\$ 76,468
Less current portion	(20,485)	(19,490)
Long-term portion	<u>\$ 36,493</u>	<u>\$ 56,978</u>

Future principal payments on this note as of December 31, 2015, are as follows:

<u>Year ending December 31,:</u>	
2017	20,485
2018	21,531
2019	14,962
	\$ 56,978

Boys & Girls Clubs of Central New Mexico
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9) Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
Comcast	\$ 57,272	\$ 24,272
United Way-Encore Fellowship	43,908	
Lowe's Renovation	24,082	-
Technology Lab	22,000	30,019
Other	9,290	6,281
Best Buy	6,056	-
PNM-Reduce Your Use	-	5,000
Garfield Site	-	4,735
Total	<u>\$ 162,608</u>	<u>\$ 70,307</u>

10) Net Assets Released From Restrictions

Net assets released from restriction consist of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Technology Lab	\$ 30,019	\$ 27,000
Other	6,281	1,971
PNM-Reduce Your Use	5,000	5,000
Garfield Site	4,735	-
United Way	-	18,999
Emerson Site	-	15,000
All Stars	-	6,000
Lego League	-	1,527
Total	<u>\$ 46,035</u>	<u>\$ 75,497</u>

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

11) Special Events

All fundraising activities that generate revenue for the Club, and are not designated to a specific program, are classified as special events. These revenues are presented net of the corresponding direct expenses in the financial statements. Below are summaries of the special events for each year:

For the year ended December 31, 2016:

	<u>Revenues</u>	<u>Direct costs</u>	<u>Net</u>
Golf Tournament	\$ 163,316	\$ 15,331	\$ 147,985
Gala	308,917	199,583	109,334
Pulling for Kids	<u>60,973</u>	<u>50,029</u>	<u>10,944</u>
Total	<u>\$ 533,206</u>	<u>\$ 264,943</u>	<u>\$ 268,263</u>

For the year ended December 31, 2015:

	<u>Revenues</u>	<u>Direct costs</u>	<u>Net</u>
Golf Tournament	\$ 179,686	\$ 22,241	\$ 157,445
Gala	345,051	189,066	155,985
Pulling for Kids	<u>46,067</u>	<u>37,718</u>	<u>8,349</u>
Total	<u>\$ 570,804</u>	<u>\$ 249,025</u>	<u>\$ 321,779</u>

12) Fair Value Measurement

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides a definition of 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 process in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The Club only has investments with Level 1 and 2 measurements.

Level 1 Fair Value Measurements – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Club has the ability to access.

Boys & Girls Clubs of Central New Mexico
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December 31, 2016 and 2015

12) Fair Value Measurements – continued

Level 2 Fair Value Measurements – The fair value of investments is based on quoted prices for similar assets in an active market, quoted prices for similar assets in inactive markets, inputs other than quoted prices that are observable for the assets, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Common stocks and corporate bonds are valued at the closing price as reported on the active market on which the individual securities are traded.

Mutual funds are valued at the net asset value of shares held by the Club at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Club management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below segregates all financial assets and liabilities as of December 31, 2016 and 2015 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

12) Fair Value Measurements – continued

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
December 31, 2016			
Mutual funds:			
Growth funds	\$ 18,241	\$ 18,241	\$ -
Total mutual funds	<u>18,241</u>	<u>18,241</u>	<u>-</u>
Corporate Bonds:			
BBB- Credit Rating	26,002	26,002	-
Total corporate bonds	<u>26,002</u>	<u>26,002</u>	<u>-</u>
Common Stock:			
Energy	125,861	125,861	-
Financial services	174,201	174,201	-
Healthcare	136,774	136,774	-
Manufacturing	452,614	452,614	-
Natural resources	39,636	39,636	-
Telecommunications	107,303	107,303	-
Technology	3,316	3,316	-
Chemistry	176	176	-
Retailer/Wholesale	1,063	1,063	-
Transportation	28,464	28,464	-
Total common stock	<u>1,069,408</u>	<u>1,069,408</u>	<u>-</u>
Other:			
Cash equivalents	43,569	-	43,569
Total other	<u>43,569</u>	<u>-</u>	<u>43,569</u>
Sub total	1,157,220	1,113,651	43,569
Endowment Fund:	<u>142,816</u>	<u>-</u>	<u>142,816</u>
Total	<u>\$ 1,300,036</u>	<u>\$ 1,113,651</u>	<u>\$ 186,385</u>

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

12) Fair Value Measurements – continued

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
December 31, 2015			
Mutual funds:			
Growth funds	\$ 15,673	\$ 15,673	\$ -
Index Fund	304	304	-
Total mutual funds	<u>15,977</u>	<u>15,977</u>	<u>-</u>
Corporate Bonds:			
BB+ Credit Rating	26,880	26,880	-
Total corporate bonds	<u>26,880</u>	<u>26,880</u>	<u>-</u>
Common Stock:			
Energy	106,716	106,716	-
Financial services	127,826	127,826	-
Healthcare	116,317	116,317	-
Manufacturing	396,664	396,664	-
Natural resources	32,712	32,712	-
Telecommunications	102,519	102,519	-
Transportation	19,922	19,922	-
Total common stock	<u>902,676</u>	<u>902,676</u>	<u>-</u>
Other:			
Cash equivalents	68,872	-	68,872
Total other	<u>68,872</u>	<u>-</u>	<u>68,872</u>
Sub total	1,014,405	945,533	68,872
Endowment Fund:	137,711	-	137,711
Total	<u>\$ 1,152,116</u>	<u>\$ 945,533</u>	<u>\$ 206,583</u>

Boys & Girls Clubs of Central New Mexico
Notes to Financial Statements
December 31, 2016 and 2015

13) Subsequent Event

The Club has been named as a beneficiary to the O. Douglas Schumann and Mary Elizabeth Schumann Trust. According to the trust agreement, the Club is to receive a portion of trust funds upon the passing of O. Douglas Schumann, the Trustee. The agreement also requires that funds received be placed in an endowment. The gift is restricted solely for the purpose of serving the young people in Rio Rancho, New Mexico. As of December 31, 2016, the Club has not collected these funds as the amount to be paid to the Club is being determined. Currently, the Club is working with the successor trustee to obtain the funds. However, as the contribution amount has not been determined the receivable and contribution revenue has not been recorded. Management feels that this amount is collectible and have not recorded any of this revenue since the amount has yet to be received.

14) Contingent Liabilities

Through the normal course of business, the Club may become involved in litigation. While the outcome of the litigation is unknown and the liability cannot be reasonably estimated. The Club believes the liability is adequately covered by its insurance. Further, management believes that the outcome of the litigation will not have a material impact on its financial position.

Independent Auditors' 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*

Board of Directors
Boys & Girls Clubs of Central New Mexico

We have audited, in accordance with the auditing standards 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 the Boys & Girls Clubs of Central New Mexico (the "Club") (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2016, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Club's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control. Accordingly, we do not express an opinion on the effectiveness of the Club'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 Club'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 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 the Club'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 *Governmental 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 Club's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Club's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Loftis Group ^{LLC}

June 14, 2017
Albuquerque, New Mexico

Boys & Girls Clubs of Central New Mexico
Schedule of Findings
For the Year Ended December 31, 2016

None.