

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Boys & Girls Club of Greater Dallas, Inc. and Affiliates
Dallas, Texas

We have audited the accompanying consolidated financial statements of Boys & Girls Club of Greater Dallas, Inc. and Affiliates (a Texas corporation), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Board of Directors
Boys & Girls Club of Greater Dallas, Inc. and Affiliates

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boys & Girls Club of Greater Dallas, Inc. and Affiliates as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Worth, Texas
June 18, 2019

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 1,474,200	\$ 1,014,938
Prepaid Expenses	25,027	33,578
In-Kind Lease Receivable	1,327,670	1,336,511
Unconditional Promises to Give	1,522,255	1,716,177
Property and Equipment, Net	2,319,282	1,819,253
Investments	6,633,947	7,520,478
Total Assets	\$ 13,302,381	\$ 13,440,935
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 216,624	\$ 137,848
Deferred Revenue	5,000	5,000
Total Liabilities	221,624	142,848
NET ASSETS		
Without Donor Restrictions	7,963,826	8,008,441
With Donor Restrictions	5,116,931	5,289,646
Total Net Assets	13,080,757	13,298,087
Total Liabilities and Net Assets	\$ 13,302,381	\$ 13,440,935

See accompanying Notes to Consolidated Financial Statements.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions:			
O'Hara Trust	\$ -	\$ 1,391,309	\$ 1,391,309
Other Contributions	2,855,299	76,492	2,931,791
Grants from Governmental Agencies	20,856	-	20,856
Special Events (Net of Direct Expenses of \$180,572)	633,036	-	633,036
Investment Income	5,605	(376,113)	(370,508)
Membership Dues	73,660	-	73,660
Program Service Fees	1,049,969	-	1,049,969
In-Kind Revenue	401,857	134,261	536,118
Other Income	78,048	-	78,048
Net Assets Released from Restrictions	1,398,664	(1,398,664)	-
Total Support and Revenue	<u>6,516,994</u>	<u>(172,715)</u>	<u>6,344,279</u>
EXPENSES			
Program Services:			
Character and Leadership Development	2,052,356	-	2,052,356
Education and Career Development	2,103,000	-	2,103,000
Health and Life Skills	1,393,562	-	1,393,562
Total Program Services	<u>5,548,918</u>	<u>-</u>	<u>5,548,918</u>
Support Services:			
Management and General	820,215	-	820,215
Fundraising	192,476	-	192,476
Total Support Services	<u>1,012,691</u>	<u>-</u>	<u>1,012,691</u>
Total Expenses	<u>6,561,609</u>	<u>-</u>	<u>6,561,609</u>
CHANGE IN NET ASSETS	(44,615)	(172,715)	(217,330)
Net Assets - Beginning of Year	<u>8,008,441</u>	<u>5,289,646</u>	<u>13,298,087</u>
NET ASSETS - END OF YEAR	<u>\$ 7,963,826</u>	<u>\$ 5,116,931</u>	<u>\$ 13,080,757</u>

See accompanying Notes to Consolidated Financial Statements.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions:			
O'Hara Trust	\$ -	\$ 1,026,891	\$ 1,026,891
Other Contributions	1,813,866	384,965	2,198,831
Grants from Governmental Agencies	26,640	-	26,640
Special Events (Net of Direct Expenses of \$191,505)	632,340	-	632,340
Investment Income	2,225	740,096	742,321
Membership Dues	71,642	-	71,642
Program Service Fees	1,116,276	-	1,116,276
In-Kind Lease Revenue	437,151	843,880	1,281,031
Other Income	55,695	-	55,695
Net Assets Released from Restrictions	2,906,645	(2,906,645)	-
Total Support and Revenue	7,062,480	89,187	7,151,667
 EXPENSES			
Program Services:			
Character and Leadership Development	1,946,361	-	1,946,361
Education and Career Development	2,033,274	-	2,033,274
Health and Life Skills	1,437,363	-	1,437,363
Total Program Services	5,416,998	-	5,416,998
Support Services:			
Management and General	624,504	-	624,504
Fundraising	185,458	-	185,458
Total Support Services	809,962	-	809,962
Total Expenses	6,226,960	-	6,226,960
 CHANGE IN NET ASSETS	835,520	89,187	924,707
 Net Assets - Beginning of Year	7,172,921	5,200,459	12,373,380
 NET ASSETS - END OF YEAR	\$ 8,008,441	\$ 5,289,646	\$ 13,298,087

See accompanying Notes to Consolidated Financial Statements.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services			Support Services				Total Expenses
	Character and Leadership Development	Education and Career Development	Health and Life Skills	Total Program Services	Management and General	Fundraising	Total Support Services	
EXPENSES								
Personnel Costs:								
Salaries	\$ 1,080,258	\$ 1,069,286	\$ 690,551	\$ 2,840,095	\$ 466,510	\$ 118,705	\$ 585,215	\$ 3,425,310
Employee Benefits	118,112	116,910	75,502	310,524	51,007	12,979	63,986	374,510
Payroll Taxes	88,355	87,457	56,482	232,294	38,156	9,709	47,865	280,159
Total Personnel Costs	<u>1,286,725</u>	<u>1,273,653</u>	<u>822,535</u>	<u>3,382,913</u>	<u>555,673</u>	<u>141,393</u>	<u>697,066</u>	<u>4,079,979</u>
Professional Fees	52,265	40,108	36,396	128,769	16,739	7,575	24,314	153,083
Supplies	88,602	87,556	56,491	232,649	7,578	1,585	9,163	241,812
Telephone	11,188	10,328	12,650	34,166	12,511	1,444	13,955	48,121
Postage and Shipping	1,842	1,754	1,152	4,748	2,620	819	3,439	8,187
Occupancy	337,228	286,314	205,985	829,527	48,721	1,233	49,954	879,481
Printing	59	54	31	144	2,795	20,420	23,215	23,359
Local Transportation	19,791	42,672	75,431	137,894	17,935	5,196	23,131	161,025
Conferences and Training	19,736	14,425	9,592	43,753	8,000	2,000	10,000	53,753
Subscriptions	748	1,670	360	2,778	148	3,666	3,814	6,592
Assistance to Individuals	-	17,418	-	17,418	-	-	-	17,418
Membership Dues	2,515	2,493	1,027	6,035	671	-	671	6,706
Awards and Grants	-	128,715	-	128,715	-	-	-	128,715
Equipment Rental and Maintenance	7,445	7,373	41,237	56,055	31,566	7,145	38,711	94,766
Miscellaneous	14,072	13,643	3,987	31,702	87,430	-	87,430	119,132
Event Expenses	-	-	-	-	-	180,572	180,572	180,572
National Dues	6,406	6,351	2,619	15,376	1,708	-	1,708	17,084
Expenses before Depreciation	<u>1,848,622</u>	<u>1,934,527</u>	<u>1,269,493</u>	<u>5,052,642</u>	<u>794,095</u>	<u>373,048</u>	<u>1,167,143</u>	<u>6,219,785</u>
Depreciation	203,734	168,473	124,069	496,276	26,120	-	26,120	522,396
	<u>2,052,356</u>	<u>2,103,000</u>	<u>1,393,562</u>	<u>5,548,918</u>	<u>820,215</u>	<u>373,048</u>	<u>1,193,263</u>	<u>6,742,181</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:								
Special Event Expenses	-	-	-	-	-	(180,572)	(180,572)	(180,572)
Total Expenses	<u>\$ 2,052,356</u>	<u>\$ 2,103,000</u>	<u>\$ 1,393,562</u>	<u>\$ 5,548,918</u>	<u>\$ 820,215</u>	<u>\$ 192,476</u>	<u>\$ 1,012,691</u>	<u>\$ 6,561,609</u>

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Program Services			Support Services				Total Expenses
	Character and Leadership Development	Education and Career Development	Health and Life Skills	Total Program Services	Management and General	Fundraising	Total Support Services	
EXPENSES								
Personnel Costs:								
Salaries	\$ 1,045,676	\$ 1,164,362	\$ 786,201	\$ 2,996,239	\$ 323,203	\$ 120,284	\$ 443,487	\$ 3,439,726
Employee Benefits	111,572	124,236	83,889	319,697	34,485	12,834	47,319	367,016
Payroll Taxes	87,322	97,231	65,653	250,206	26,989	10,044	37,033	287,239
Total Personnel Costs	1,244,570	1,385,829	935,743	3,566,142	384,677	143,162	527,839	4,093,981
Professional Fees	52,400	40,211	36,491	129,102	18,262	7,595	25,857	154,959
Supplies	74,035	74,966	45,691	194,692	7,063	1,476	8,539	203,231
Telephone	10,259	9,471	11,599	31,329	11,473	1,324	12,797	44,126
Postage and Shipping	1,511	1,439	945	3,895	2,148	671	2,819	6,714
Occupancy	343,345	291,803	209,872	845,020	50,006	1,311	51,317	896,337
Printing	144	134	76	354	1,636	16,227	17,863	18,217
Local Transportation	13,808	29,723	52,500	96,031	12,507	3,623	16,130	112,161
Conferences and Training	15,095	10,759	7,101	32,955	5,648	1,412	7,060	40,015
Subscriptions	791	1,107	321	2,219	97	343	440	2,659
Assistance to Individuals	-	48	-	48	-	-	-	48
Membership Dues	2,741	2,717	1,121	6,579	731	-	731	7,310
Awards and Grants	18,763	40,038	15,526	74,327	6,761	4,057	10,818	85,145
Equipment Rental and Maintenance	7,809	7,382	26,895	42,086	18,796	4,257	23,053	65,139
Miscellaneous	10,435	12,067	2,957	25,459	84,542	-	84,542	110,001
Event Expenses	-	-	-	-	-	191,505	191,505	191,505
National Dues	6,081	6,028	2,484	14,593	1,622	-	1,622	16,215
Expenses before Depreciation	1,801,787	1,913,722	1,349,322	5,064,831	605,969	376,963	982,932	6,047,763
Depreciation	144,574	119,552	88,041	352,167	18,535	-	18,535	370,702
	1,946,361	2,033,274	1,437,363	5,416,998	624,504	376,963	1,001,467	6,418,465
Less: Expenses Netted Against Revenues on the Statement of Activities:								
Special Event Expenses	-	-	-	-	-	(191,505)	(191,505)	(191,505)
Total Expenses	\$ 1,946,361	\$ 2,033,274	\$ 1,437,363	\$ 5,416,998	\$ 624,504	\$ 185,458	\$ 809,962	\$ 6,226,960

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (217,330)	\$ 924,707
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	522,395	370,702
Net Realized (Gain) on Investments	(79,737)	(74,253)
Net Unrealized (Gain) Loss on Investments	606,455	(548,825)
In-Kind Contributions of Property and Equipment	(930,221)	(57,717)
Net Change in:		
Prepaid Expenses	8,551	2,968
In-Kind Lease Receivable	8,841	(680,621)
Unconditional Promises to Give	193,922	353,095
Accounts Payable and Accrued Expenses	78,776	17,631
Deferred Revenue	-	5,000
Net Cash Provided by Operating Activities	191,652	312,687
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(92,203)	(181,288)
Purchase of Investments	(774,552)	(3,049,128)
Proceeds from Sale or Maturities of Investments	1,134,365	2,006,817
Net Cash Provided (Used) by Investing Activities	267,610	(1,223,599)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	459,262	(910,912)
Cash and Cash Equivalents - Beginning of Year	1,014,938	1,925,850
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,474,200	\$ 1,014,938
NONCASH TRANSACTIONS		
In-Kind Lease Revenue and Expense on Month-to-Month Leases	\$ 401,888	\$ 405,263
In-Kind Lease Revenue on Long-Term Lease Agreements	\$ 134,261	\$ 843,880
In-Kind Lease Expense on Long-Term Lease Agreements	\$ 143,103	\$ 163,258
In-Kind Contributions of Property and Equipment	\$ 930,221	\$ 57,717

See accompanying Notes to Consolidated Financial Statements.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 ORGANIZATION

Boys & Girls Clubs of Greater Dallas, Inc. (the Club) is a Texas nonprofit corporation formed on November 14, 1961. The Club's primary purpose is to provide behavioral guidance for boys and girls and to promote their health, social, education, vocational and character development. The Club (a designee chapter of the Boys & Girls Clubs of America and a United Way member agency) operates over 20 sites in the Dallas, Texas area.

Boys & Girls Clubs of Greater Dallas, Inc. Foundation (BGCDF) is a Texas nonprofit corporation formed in 1985 to support the Club. The Chamber-Schoellkopf-Trim Scholarship Foundation (CST) is a Texas nonprofit corporation formed in 1987 to provide educational assistance to participants in the Club's programs. Both BGCDF and CST are considered, for financial reporting purposes, to be under the control of the Club's board of directors (board). The Club, BGCDF and CST are hereinafter collectively referred to as the Club.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Club prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when an obligation is incurred.

The accompanying consolidated financial statements include the accounts of the Club, BGCDF and CST. All inter-entity balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash available for use in current operations is classified as cash and cash equivalents. Cash and cash equivalents designated or restricted for investment is classified as investments.

In-Kind Lease Receivable

The Club has several leases for space which it utilizes to provide program services. Terms of the lease agreements are at rates considered to be below fair market value. The Club recognizes the fair value of each lease as contribution revenue in the period in which the lease agreement is signed and recognizes the related expense in the period the lease is used. In-kind lease receivable represents the remaining amount to be received under lease agreements currently in effect. The in-kind lease revenue is reported as an in-kind contribution at its present value and as restricted support that increases net assets with donor restrictions.

Unconditional Promises to Give

Unconditional promises to give are from foundations, trusts, and individuals, which are primarily located in the Dallas, Texas area. The receivables are unsecured and evaluated periodically by management for collectability. There was no allowance for doubtful pledges as of December 31, 2018 and 2017. Amounts that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Club invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position. Investments in debt securities and marketable securities are carried at fair value, based upon quoted market prices or values provided by external investment managers. Unrealized gains and losses are recognized in the period in which they occur.

Property and Equipment

Property and equipment expenditures in excess of \$500 are capitalized at cost. Donated property and equipment are recorded at estimated fair value on the date of donation. Property and equipment are depreciated using the straight-line method over the estimated useful lives of 3 years for automobiles, 5 to 15 years for furniture, equipment, and building improvements, and 40 years for buildings and leasehold improvements.

The Club reviews its property and equipment periodically to determine potential impairment. If determined that the carrying value exceeds the fair market value, an impairment loss is recognized.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Club has elected to present donor-restricted contributions, which are fulfilled in the same time period, within net assets without donor restrictions.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recorded at the time donors make unconditional promises to give and are classified as net assets without donor restrictions or net assets with donor restrictions depending on the existence or absence of any donor restrictions. The Club reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as "Net Assets Released from Restrictions".

The Club reports gifts of land, buildings, and equipment as support without restrictions unless explicit donor stipulations specify how the donated asset must be used. Gifts of cash that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Club reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

In-Kind Contributions

Donated goods are recorded at their estimated fair market value on the date of receipt. Volunteers have contributed significant amounts of time to the Club's activities without compensation. As these services do not meet the recognition criteria for donated services under generally accepted accounting standards for financial reporting, the consolidated financial statements do not reflect the value of such contributed services.

In-Kind Month-to-Month Site Agreements

The Club has entered into agreements with the Dallas Independent School District and Dallas Housing Authority (DHA) to provide afterschool activities. The Club is allowed to use the schools and DHA property at no cost, but has not entered into a long-term lease arrangement. As a result, the value of the facilities used in 2018 and 2017 has been calculated based on similar rental rates and included in "In-Kind Lease Revenue" on the consolidated statements of activities. No in-kind lease receivable has been recognized because of the short-term nature of these agreements.

Functional Allocation of Expenses

The costs of providing the programs and support services are presented on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the allocation of expenses to the programs and support services. These allocations are based upon estimates of facilities usage, activities of personnel, specifically identifiable costs and various other bases.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Club follows the provisions of *Fair Value Measurements*, which defines fair value as 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 and establishes a framework for measuring fair value. Fair value measurements established a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date.

As noted above, *Fair Value Measurements* establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of 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.

Income Tax

The Club is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Club adopted the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with the income tax standard. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Club's income tax returns are subject to review and examination by Federal, State and Local authorities. The Club is not aware of any activities that would jeopardize its tax exempt status. The Club is not aware of any activities that are subject to tax on unrelated business income or excise or other tax.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principal

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, with no changes to net assets without donor restrictions.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Amount
Cash and Cash Equivalents	\$ 1,474,200
Promises to Give Without Donor Restrictions	146,023
Board-Designated Endowment Distribution	189,000
Total assets available for general expenditures in the next 12 months	\$ 1,809,223

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Our board-designated endowment of \$4,725,009 is subject to an annual spending rate of 4% (beginning in 2019) as described in Note 17. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditures), these amounts could be made available if necessary.

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NOTE 4 INVESTMENTS

Investments as defined by asset allocation category consist of the following at December 31:

	2018	2017
Bond Funds	\$ 30,491	\$ 33,134
Equity Funds	3,066,859	3,631,791
Fixed Income Funds	1,746,604	1,999,272
Corporate Bonds	517,622	508,210
Specialty Funds	320,695	366,083
Alternative Investments	951,676	981,988
Total Investments	\$ 6,633,947	\$ 7,520,478

Investments in debt securities and marketable securities are carried at fair value, based upon quoted market prices or values provided by external investment managers. Unrealized gains and losses are recognized in the period in which they occur.

As noted above, within the portfolio certain investments are invested in funds for which value is not determinable on a daily basis and are held by private companies. These are commonly referred to as alternative investments.

Alternative investments may be structured through limited partnerships, limited liability corporations, trusts, or corporations. The estimated fair values of alternative investments may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material.

The Alternative investments within the Club's portfolio consist of the Maverick Fund, Ltd., which is a hedge fund. The investment objective of the fund is to preserve and grow capital.

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following is a description of the valuation methodologies used for assets measured at fair value:

<i>Equity Funds:</i>	Valued at the daily closing price as reported by the fund.
<i>Fixed Income and</i>	
<i>Bond Funds:</i>	Valued at the daily closing price as reported by the fund.
<i>Specialty Funds:</i>	Valued at the daily closing price as reported by the fund.
<i>Bonds:</i>	Valued based on quoted prices in an active market in which similar assets are traded
<i>Alternative Investments:</i>	Valued at the net asset value (NAV) per unit at year-end.

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NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The methods described above may produce fair value estimates that may not be indicative of net realized value or reflective of future fair values. Furthermore, although the Club 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 different fair value measurements at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Club's investments at estimated fair value as of December 31:

	2018			Total
	Level 1	Level 2	Level 3	
Bond Funds	\$ 30,491	\$ -	\$ -	\$ 30,491
Equity Funds	3,066,859	-	-	3,066,859
Fixed Income Funds	1,746,604	-	-	1,746,604
Specialty Funds	320,695	-	-	320,695
Bonds	-	517,622	-	517,622
Total	<u>\$ 5,164,649</u>	<u>\$ 517,622</u>	<u>\$ -</u>	<u>\$ 5,682,271</u>
Alternative Investments - Valued at Net Asset Value				<u>\$ 951,676</u>
Total Investments				<u>\$ 6,633,947</u>
	2017			
	Level 1	Level 2	Level 3	Total
Bond Funds	\$ 33,134	\$ -	\$ -	\$ 33,134
Equity Funds	3,631,791	-	-	3,631,791
Fixed Income Funds	1,999,272	-	-	1,999,272
Specialty Funds	366,083	-	-	366,083
Bonds	-	508,210	-	508,210
Total	<u>\$ 6,030,280</u>	<u>\$ 508,210</u>	<u>\$ -</u>	<u>\$ 6,538,490</u>
Alternative Investments - Valued at Net Asset Value				<u>\$ 981,988</u>
Total Investments				<u>\$ 7,520,478</u>

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NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Net Asset Value

Fair value measurements of investments that calculate net asset value per share (or its equivalent) as of December 31:

	2018			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Alternative Investments	951,676	-	Daily	30 - 60 Days
	2017			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Alternative Investments	981,988	-	Daily	30 - 60 Days

Alternative Investments is the Maverick Fund, Ltd. (the Company). The Company is registered in the Cayman Islands as an exempt Company. The Company is an open-ended investment Company. The Company invests substantially all of its assets in the Maverick Fund, LDC (the Fund). The investment objective of the fund is to preserve and grow capital by operating as a traditional hedge fund. The Company provides full disclosure financial statements of the underlying holdings, whereby the Club is able to verify its account balances.

NOTE 6 IN-KIND LEASE RECEIVABLE

In-kind lease receivable is amortized over the life of the lease. Future amounts due are recorded at their net present value utilizing the Club's incremental borrowing rate at the date of inception, ranging from 4.5% to 5.37%. When amortized, the in-kind lease expense is recognized as occupancy expense. The following is an estimated future amortization of the in-kind lease receivable as of December 31, 2018:

Year Ending December 31,	Amount
2019	\$ 180,982
2020	101,443
2021	20,874
2022	107,003
2023	119,756
Thereafter	797,612
Total	\$ 1,327,670

Total in-kind lease expense was \$544,991 and \$568,521 for the years ended December 31, 2018 and 2017, respectively.

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NOTE 7 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Without Donor Restrictions:		
General Operations	\$ 146,023	\$ 264,397
Less: Discount to Present Value	-	(21,668)
Total Without Donor Restrictions	<u>146,023</u>	<u>242,729</u>
With Donor Restrictions:		
United Way of Metropolitan Dallas	85,000	255,000
O'Hara Trust	1,114,728	1,026,891
Purpose Restrictions	193,579	200,000
Less: Discount to Present Value	<u>(17,075)</u>	<u>(8,443)</u>
Total With Donor Restrictions	<u>1,376,232</u>	<u>1,473,448</u>
Total Unconditional Promises to Give	<u><u>\$ 1,522,255</u></u>	<u><u>\$ 1,716,177</u></u>

Unconditional promises to give are to be received over future periods, in accordance with donor agreements. Unconditional promises to give expected to be collected in the next fiscal period, and thereafter are as follows:

	<u>2018</u>	<u>2017</u>
Amounts Due in:		
Less than One Year	\$ 1,418,330	\$ 1,500,788
One to Five Years	<u>121,000</u>	<u>245,500</u>
Pledges Receivable, Gross	<u><u>\$ 1,539,330</u></u>	<u><u>\$ 1,746,288</u></u>

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 275,435	\$ 275,435
Buildings and Improvements	5,645,653	5,548,111
Furniture and Equipment	2,837,278	1,912,396
Transportation Equipment	<u>649,134</u>	<u>649,134</u>
Total Property and Equipment	9,407,500	8,385,076
Less: Accumulated Depreciation and Amortization	<u>(7,088,218)</u>	<u>(6,565,823)</u>
Property and Equipment, Net	<u><u>\$ 2,319,282</u></u>	<u><u>\$ 1,819,253</u></u>

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NOTE 9 LINE OF CREDIT

The Club has a line of credit up to \$250,000 with an interest rate at .87% above the prime rate (5.50% at December 31, 2018). The line of credit is secured by the assets of the Club. The outstanding balance on the line of credit was \$-0- at December 31, 2018 and 2017. The line of credit is a business banking line of credit that currently does not have a maturity date.

NOTE 10 NET ASSETS

Net assets consisted of the following as of December 31:

	2018	2017
Without Donor Restrictions:		
Undesignated Net Assets	\$ 919,535	\$ 723,617
Board-Designated Endowment	4,725,009	5,465,571
Property and Equipment	2,319,282	1,819,253
Total Without Donor Restrictions	7,963,826	8,008,441
With Donor Restrictions:		
Subject to Expenditure for Specified Purpose:		
United Way of Metropolitan Dallas	85,000	246,557
College STEPS	150,000	200,000
UPS Road Code	32,190	-
	267,190	446,557
Subject to the Passage of Time:		
In-Kind Lease Receivable	1,327,670	1,336,511
O'Hara Trust	1,114,728	1,026,891
Other Donors	140,336	242,731
	2,582,734	2,606,133
Endowments:		
Subject to Appropriation and Expenditure When a Specified Event Occurs:		
Restricted by Donors for:		
Capital Asset Acquisitions	105,950	56,742
Creative Arts	289,490	281,466
Scholarships	750,831	778,012
	1,146,271	1,116,220
Not Subject to Appropriation or Expenditure:		
Scholarships for Qualifying Members	50,000	50,000
Creative Arts Program	802,500	802,500
Repairs and Maintenance (Maverick Fund)	268,236	268,236
	1,120,736	1,120,736
Total With Donor Restrictions	5,116,931	5,289,646
Total Net Assets	\$ 13,080,757	\$ 13,298,087

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NOTE 10 NET ASSETS (CONTINUED)

The following is a summary of net assets released from donor restrictions by incurring expenditures satisfying the restricted purposes or by the passage of time specified by the donor(s) as of December 31:

	2018	2017
Time Restrictions Expired - Operations:		
United Way of Metropolitan Dallas	\$ 170,000	\$ 170,000
O'Hara Trust	1,026,891	1,282,839
Other Donors	-	93,189
Donor Restrictions Expired - Operations:		
BGCDF - Grant	-	1,150,428
Alternative Investment	54,670	42,931
In-Kind Lease Expense	143,103	163,258
CST - Grant	4,000	4,000
Total Restrictions Released	\$ 1,398,664	\$ 2,906,645

NOTE 11 O'HARA TRUST

The Boys & Girls Clubs of America is the beneficiary of a trust created pursuant to the last will and testament of J.B. O'Hara (the Trust). In accordance with the terms of the Trust, its income is to be used for the charitable purpose of maintaining and supporting one or more chapters of the Boys & Girls Clubs of America located in Dallas County, Texas.

The Club, as one of the designee chapters of the Boys & Girls Clubs of America in Dallas County, Texas, receives distributions from the Trust. The O'Hara committee of the Boys & Girls Clubs of America annually authorizes distributions to the Club which are based upon approved fund allocation requests made by the O'Hara committee. Regular contributions received or pledged totaled \$1,391,309 and \$1,026,891 as of December 31, 2018 and 2017, respectively.

The Trust's net assets are not included in the accompanying consolidated financial statements because the Club is not the ultimate beneficiary of the Trust's assets.

NOTE 12 BOYS & GIRLS CLUBS OF GREATER DALLAS, INC. FOUNDATION

In 1985, BGCDF was incorporated to benefit Boys & Girls Clubs of Greater Dallas, Inc. As of December 31, 2018 and 2017, the BGCDF had net assets of \$6,768,675 and \$7,531,526 (of which \$1,070,736 was restricted in perpetuity), respectively. Boys & Girls Clubs of Greater Dallas, Inc. received contributions from BGCDF of \$344,160 and \$324,397 for the years ended December 31, 2018 and 2017, respectively. These contributions are currently for use in Boys & Girls Clubs of Greater Dallas, Inc.'s Education and Career Development Program – Youth Education and The Arts Program – Creative Arts. Contributions from BGCDF are eliminated upon consolidation.

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NOTE 12 BOYS & GIRLS CLUBS OF GREATER DALLAS, INC. FOUNDATION (CONTINUED)

BGCDF received contributions from the Club of \$-0- and \$268,942 for the years ended December 31, 2018 and 2017, respectively. These contributions are due to transferring the special distribution from the O'Hara Trust to BGCDF in 2017. Contributions from the Club are eliminated upon consolidation.

BGCDF's net assets without donor restrictions are classified as net assets with donor restrictions in the accompanying consolidated financial statements until the BGCDF's board of directors approves disbursements to Boys & Girls Clubs of Greater Dallas, Inc.

NOTE 13 CHAMBERS-SCHOELLKOPF-TRIM SCHOLARSHIP FOUNDATION (CST)

In October 1987, CST was formed to provide education assistance to participants in Boys & Girls Clubs of Greater Dallas, Inc.'s programs. As of December 31, 2018 and 2017, CST's net assets with donor restrictions were \$68,774 and \$74,523 (of which \$50,000 were required to be held in perpetuity), respectively. CST has no net assets without donor restrictions. CST awarded scholarships totaling \$4,000 for the years ended December 31, 2018 and 2017.

NOTE 14 EMPLOYEE BENEFIT PLAN

The Club has a 401(k) plan for its employees. The plan includes matching contributions by the Club up to 5% of employees' compensation. The Club contributed \$59,230 and \$54,636 to the plan as of December 31, 2018 and 2017, respectively.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Club has entered into several lease agreements for office space and equipment. The following is an estimated future minimum lease payment as of December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 29,204
2020	17,042
2021	20
2022	1
2023	1
Thereafter	8
Total	<u>\$ 46,276</u>

Total rent expense was \$26,490 and \$25,201 for the years ended December 31, 2018 and 2017, respectively.

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NOTE 16 CONCENTRATIONS

The Club received approximately 22% and 16% of its support and revenue from The O'Hara Trust during the fiscal years ended December 31, 2018 and 2017, respectively.

Substantially all of the Club's remaining support and revenue are derived from businesses, foundations, and individuals in the Dallas, Texas area.

NOTE 17 ENDOWMENT FUNDS

The Club's endowment consists of three individual funds established by donors for a variety of purposes. The endowment also includes funds designated by the board to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The board of the Club 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 retains in perpetuity:

1. The original value of initial gifts donated to the endowment; and
2. The original value of subsequent gifts to the endowment.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Club in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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NOTE 17 ENDOWMENT FUNDS (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2018 was as follows:

December 31, 2018	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 4,725,009	\$ -	\$ 4,725,009
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	1,120,736	1,120,736
Accumulated Investment Gains	-	1,146,271	1,146,271
Total	<u>\$ 4,725,009</u>	<u>\$ 2,267,007</u>	<u>\$ 6,992,016</u>
<hr style="border-top: 1px solid black;"/>			
December 31, 2017			
Board-Designated Endowment Funds	\$ 5,465,571	\$ -	\$ 5,465,571
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	1,120,736	1,120,736
Accumulated Investment Gains	-	1,116,220	1,116,220
Total	<u>\$ 5,465,571</u>	<u>\$ 2,236,956</u>	<u>\$ 7,702,527</u>

Investment and Spending Policies

The Club has adopted investment and spending policies, approved by the board, 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. The spending rate shall be 5% for the entire endowment fund based on the market value of the portfolio as of December 31 of that year. 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 distributions with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, which are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution based on the spending policies below, while growing the funds, if possible. Therefore, the Club expects its endowment assets, over time, to produce an average (nontaxable) rate of return of approximately 7% annually. 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 allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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NOTE 17 ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets for the years ended December 31 are as follows:

<u>December 31, 2018</u>	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ 5,465,571	\$ 2,236,956	\$ 7,702,527
Investment Return, Net	(366,477)	(4,031)	(370,508)
Contributions	-	81,106	81,106
Appropriation of Endowment Assets			
Pursuant to Donor Restrictions	47,024	(47,024)	-
Other Changes:			
Distribution from Board-Designated			
Pursuant to Distribution Policy	(421,109)	-	(421,109)
Endowment Net Assets - End of Year	<u>\$ 4,725,009</u>	<u>\$ 2,267,007</u>	<u>\$ 6,992,016</u>
<u>December 31, 2017</u>			
Endowment Net Assets - Beginning of Year	\$ 4,313,356	\$ 2,477,064	\$ 6,790,420
Investment Return, Net	2,225	740,096	742,321
Contributions	169,786	-	169,786
Appropriation of Endowment Assets			
Pursuant to Donor Restrictions	980,204	(980,204)	-
Endowment Net Assets - End of Year	<u>\$ 5,465,571</u>	<u>\$ 2,236,956</u>	<u>\$ 7,702,527</u>

NOTE 18 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated based on the nature of the account and best estimates of time and effort into 12 different programs, as well as management and general, and fundraising expenses. These 12 programs are then consolidated into the three programs reported on the statement of functional expenses

NOTE 19 SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Club has evaluated events and transactions for potential recognition or disclosure through June 18, 2019, the date the consolidated financial statements were available to be issued. On February 1, 2019, the Club signed an agreement to acquire and merge with Boys & Girls Clubs of Navarro County (Navarro County). The Club will absorb all assets and liabilities of Navarro County, which totaled \$789,362 and \$32,734, respectively.