

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

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9

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, 2017 and 2016, 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, 2017 and 2016, 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

Dallas, Texas
June 21, 2018

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 1,014,938	\$ 1,925,850
Prepaid Expenses	33,578	36,546
In-Kind Lease Receivable	1,336,511	655,890
Unconditional Promises to Give	1,716,177	2,069,272
Property and Equipment, Net	1,819,253	1,950,950
Investments	7,520,478	5,855,089
Total Assets	\$ 13,440,935	\$ 12,493,597
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 137,848	\$ 120,217
Deferred Revenue	5,000	-
Total Liabilities	142,848	120,217
NET ASSETS		
Unrestricted	8,008,441	7,172,921
Temporarily Restricted	4,168,910	4,079,723
Permanently Restricted	1,120,736	1,120,736
Total Net Assets	13,298,087	12,373,380
Total Liabilities and Net Assets	\$ 13,440,935	\$ 12,493,597

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**

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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 Revenue	437,151	843,880	-	1,281,031
Other Income	55,695	-	-	55,695
Net Assets Released from Restrictions	<u>2,906,645</u>	<u>(2,906,645)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>7,062,480</u>	<u>89,187</u>	<u>-</u>	<u>7,151,667</u>
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	<u>1,437,363</u>	<u>-</u>	<u>-</u>	<u>1,437,363</u>
Total Program Services	5,416,998	-	-	5,416,998
Support Services:				
Management and General	624,504	-	-	624,504
Fundraising	<u>185,458</u>	<u>-</u>	<u>-</u>	<u>185,458</u>
Total Support Services	<u>809,962</u>	<u>-</u>	<u>-</u>	<u>809,962</u>
Total Expenses	<u>6,226,960</u>	<u>-</u>	<u>-</u>	<u>6,226,960</u>
CHANGE IN NET ASSETS	835,520	89,187	-	924,707
Net Assets - Beginning of Year	<u>7,172,921</u>	<u>4,079,723</u>	<u>1,120,736</u>	<u>12,373,380</u>
NET ASSETS - END OF YEAR	<u>\$ 8,008,441</u>	<u>\$ 4,168,910</u>	<u>\$ 1,120,736</u>	<u>\$ 13,298,087</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, 2016**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Contributions:				
O'Hara Trust	\$ -	\$ 1,282,838	\$ -	\$ 1,282,838
Other Contributions	2,064,982	857,308	-	2,922,290
Grants from Governmental Agencies	69,947	-	-	69,947
Special Events (Net of Direct Expenses of \$352,624)	432,382	-	-	432,382
Investment Income	218	218,688	-	218,906
Membership Dues	65,883	-	-	65,883
Program Service Fees	1,299,338	-	-	1,299,338
In-Kind Lease Revenue	304,575	126,503	-	431,078
Other Income	43,981	-	-	43,981
Net Assets Released from Restrictions	2,280,570	(2,280,570)	-	-
Total Support and Revenue	<u>6,561,876</u>	<u>204,767</u>	-	<u>6,766,643</u>
EXPENSES				
Program Services:				
Character and Leadership Development	2,122,144	-	-	2,122,144
Education and Career Development	2,172,256	-	-	2,172,256
Health and Life Skills	1,526,039	-	-	1,526,039
Total Program Services	<u>5,820,439</u>	-	-	<u>5,820,439</u>
Support Services:				
Management and General	619,626	-	-	619,626
Fundraising	180,745	-	-	180,745
Total Support Services	<u>800,371</u>	-	-	<u>800,371</u>
Total Expenses	<u>6,620,810</u>	-	-	<u>6,620,810</u>
CHANGE IN NET ASSETS	(58,934)	204,767	-	145,833
Net Assets - Beginning of Year	<u>7,231,855</u>	<u>3,874,956</u>	<u>1,120,736</u>	<u>12,227,547</u>
NET ASSETS - END OF YEAR	<u>\$ 7,172,921</u>	<u>\$ 4,079,723</u>	<u>\$ 1,120,736</u>	<u>\$ 12,373,380</u>

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, 2016**

	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	\$ 1,124,354	\$ 1,232,620	\$ 818,883	\$ 3,175,857	\$ 284,653	\$ 123,638	\$ 408,291	\$ 3,584,148
Employee Benefits	115,340	126,447	84,004	325,791	29,201	12,682	41,883	367,674
Payroll Taxes	103,310	113,256	75,242	291,808	26,154	11,360	37,514	329,322
Total Personnel Costs	1,343,004	1,472,323	978,129	3,793,456	340,008	147,680	487,688	4,281,144
Professional Fees	51,462	39,492	35,837	126,791	15,821	7,458	23,279	150,070
Supplies	64,271	64,114	40,557	168,942	6,834	1,412	8,246	177,188
Telephone	14,077	12,994	15,915	42,986	15,742	1,816	17,558	60,544
Postage and Shipping	854	813	534	2,201	1,214	379	1,593	3,794
Occupancy	419,068	355,933	256,243	1,031,244	60,879	1,477	62,356	1,093,600
Printing	471	438	250	1,159	8,666	6,596	15,262	16,421
Local Transportation	13,332	28,860	51,109	93,301	12,096	3,508	15,604	108,905
Conferences and Training	15,516	11,403	7,594	34,513	6,395	1,599	7,994	42,507
Subscriptions	1,173	1,013	419	2,605	87	174	261	2,866
Assistance to Individuals	-	500	-	500	-	-	-	500
Membership Dues	2,558	2,536	1,047	6,141	419	-	419	6,560
Awards and Grants	23,110	32,448	19,123	74,681	8,328	4,996	13,324	88,005
Equipment Rental and Maintenance	1,582	1,501	19,311	22,394	15,053	3,650	18,703	41,097
Miscellaneous	13,867	17,531	3,929	35,327	107,140	-	107,140	142,467
Event Expenses	-	-	-	-	-	352,624	352,624	352,624
National Dues	5,151	5,107	2,105	12,363	1,374	-	1,374	13,737
Expenses before Depreciation	1,969,496	2,047,006	1,432,102	5,448,604	600,056	533,369	1,133,425	6,582,029
Depreciation	152,648	125,250	93,937	371,835	19,570	-	19,570	391,405
	2,122,144	2,172,256	1,526,039	5,820,439	619,626	533,369	1,152,995	6,973,434
Less: Expenses Netted Against Revenues on the Statement of Activities:								
Special Event Expenses	-	-	-	-	-	(352,624)	(352,624)	(352,624)
Total Expenses	\$ 2,122,144	\$ 2,172,256	\$ 1,526,039	\$ 5,820,439	\$ 619,626	\$ 180,745	\$ 800,371	\$ 6,620,810

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 924,707	\$ 145,833
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	370,702	391,405
Net Realized (Gain) on Investments	(74,253)	(343,083)
Net Unrealized (Gain) Loss on Investments	(548,825)	267,084
In-Kind Contributions of Property and Equipment	(57,717)	(141,226)
Net Change in:		
Prepaid Expenses	2,968	2,259
In-Kind Lease Receivable	(680,621)	336,264
Unconditional Promises to Give	353,095	(337,983)
Accounts Payable and Accrued Expenses	17,631	(484)
Deferred Revenue	5,000	-
Net Cash Provided by Operating Activities	312,687	320,069
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(181,288)	(149,855)
Purchase of Investments	(3,049,128)	(10,990,831)
Proceeds from Sale or Maturities of Investments	2,006,817	11,965,994
Net Cash Provided (Used) by Investing Activities	(1,223,599)	825,308
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(910,912)	1,145,377
Cash and Cash Equivalents - Beginning of Year	1,925,850	780,473
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,014,938	\$ 1,925,850
NONCASH TRANSACTIONS		
In-Kind Lease Revenue and Expense on Month-to-Month Leases	\$ 405,263	\$ 304,575
In-Kind Lease Revenue on Long-Term Lease Agreements	\$ 843,880	\$ 126,503
In-Kind Lease Expense on Long-Term Lease Agreements	\$ 163,258	\$ 462,767
In-Kind Contributions of Property and Equipment	\$ 57,717	\$ 141,226

See accompanying Notes to Consolidated Financial Statements.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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.

Financial Statement Presentation

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

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met by expenditure in accordance with the donors' request and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that the assets be maintained permanently. Generally, the donors of these assets permit distribution of all or part of the income earned on related investments for general or specific purposes.

The Club has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 temporarily restricted net assets.

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, 2017 and 2016. Amounts that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

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 three years for automobiles, five 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.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as "Net Assets Released from Restrictions".

The Club reports gifts of land, buildings, and equipment as unrestricted support 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 restricted support. 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 2017 and 2016 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, 2017 AND 2016**

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, 2017 AND 2016**

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.

Accounting Change

In 2017, the Club adopted ASU 2015-17, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)* to use the net asset value (NAV) as a practical expedient to estimate fair value of its alternative investments. This practical expedient would not be used if it is determined to be probable that the investment will be sold for an amount different from the reported NAV.

NOTE 3 INVESTMENTS

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

	2017	2016
Bond Funds	\$ 33,134	\$ 36,526
Equity Funds	3,631,791	2,297,055
Fixed Income Funds	1,999,272	2,149,569
Corporate Bonds	508,210	-
Specialty Funds	366,083	341,528
Alternative Investments	981,988	1,030,411
Total Investments	<u>\$ 7,520,478</u>	<u>\$ 5,855,089</u>

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.

Investment return is summarized below as of December 31:

	2017	2016
Interest and Dividends	\$ 119,243	\$ 13,734
Realized Gain	74,253	348,706
Unrealized Gain (Loss)	548,825	(143,534)
Total Investment Income	<u>\$ 742,321</u>	<u>\$ 218,906</u>

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.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 INVESTMENTS (CONTINUED)

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 4 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.

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.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

		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		\$ 6,030,280	\$ 508,210	\$ -	\$ 6,538,490
Alternative Investments - valued at Net Asset Value					\$ 981,988
Total Investments					\$ 7,520,478
		2016			
		Level 1	Level 2	Level 3	Total
Bond Funds		\$ 36,526	\$ -	\$ -	\$ 36,526
Equity Funds		2,297,055	-	-	2,297,055
Fixed Income Funds		2,149,569	-	-	2,149,569
Specialty Funds		341,528	-	-	341,528
Total		\$ 4,824,678	\$ -	\$ -	\$ 4,824,678
Alternative Investments - valued at Net Asset Value					\$ 1,030,411
Total Investments					\$ 5,855,089

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 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:

	2017			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Alternative Investments	981,988	-	Daily	30 - 60 Days
	2016			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Alternative Investments	1,030,411	-	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 5 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, 2017:

Year Ending December 31,	Amount
2018	\$ 143,102
2019	95,074
2020	53,090
2021	20,874
2022	107,003
Thereafter	917,368
Total	\$ 1,336,511

Total in-kind lease expense was \$568,521 and \$767,342 for the years ended December 31, 2017 and 2016, respectively.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 UNCONDITIONAL PROMISES TO GIVE

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

	<u>2017</u>	<u>2016</u>
Unrestricted:		
General Operations	\$ 264,397	\$ 220,392
Less: Allowance for Doubtful Pledges	-	-
Less: Discount to Present Value	(21,668)	(29,025)
Total Unrestricted	<u>242,729</u>	<u>191,367</u>
Temporarily Restricted:		
United Way of Metropolitan Dallas	255,000	399,546
O'Hara Trust	1,026,891	1,282,838
Purpose Restriction	200,000	220,975
Less: Allowance for Doubtful Pledges	-	-
Less: Discount to Present Value	(8,443)	(25,454)
Total Temporarily Restricted	<u>1,473,448</u>	<u>1,877,905</u>
Total Unconditional Promises to Give	<u>\$ 1,716,177</u>	<u>\$ 2,069,272</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>2017</u>	<u>2016</u>
Amounts Due in:		
Less than One Year	\$ 1,500,788	\$ 1,668,751
One to Five Years	245,500	455,000
Pledges Receivable, Gross	<u>\$ 1,746,288</u>	<u>\$ 2,123,751</u>

NOTE 7 PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land	\$ 275,435	\$ 275,435
Buildings and Improvements	5,548,111	5,391,729
Furniture and Equipment	1,912,396	1,880,515
Transportation Equipment	649,134	598,392
Total Property and Equipment	<u>8,385,076</u>	<u>8,146,071</u>
Less: Accumulated Depreciation and Amortization	(6,565,823)	(6,195,121)
Property and Equipment, Net	<u>\$ 1,819,253</u>	<u>\$ 1,950,950</u>

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 LINE OF CREDIT

The Club has a line of credit up to \$250,000 with an interest rate at .87% above the prime rate (4.50% at December 31, 2017). 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, 2017 and 2016. The line of credit is a business banking line of credit that currently does not have a maturity date.

NOTE 9 NET ASSETS

Net assets consisted of the following as of December 31:

	2017	2016
Unrestricted:		
Undesignated Net Assets	\$ 723,617	\$ 908,615
Board-Designated Endowment	5,465,571	4,313,356
Property and Equipment	1,819,253	1,950,950
Total Unrestricted	8,008,441	7,172,921
Temporarily Restricted:		
In-Kind Lease Receivable	1,336,511	655,890
Purpose Restrictions:		
Capital Asset Acquisitions	56,742	56,597
Creative Arts	281,466	483,331
Scholarships	778,012	816,400
United Way of Metropolitan Dallas	246,557	399,546
College STEPS	200,000	220,975
For Next Fiscal Year Operations:		
O'Hara Trust	1,026,891	1,282,838
Other Donors	242,731	164,146
Total Temporarily Restricted	4,168,910	4,079,723
Permanently Restricted:		
Scholarships for Qualifying Members	50,000	50,000
Creative Arts Program	802,500	802,500
Repairs and Maintenance (Maverick Fund)	268,236	268,236
Total Permanently Restricted	1,120,736	1,120,736
Total Net Assets	\$ 13,298,087	\$ 12,373,380

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 9 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:

	2017	2016
Time Restrictions Expired - Operations:		
United Way of Metropolitan Dallas	\$ 170,000	\$ 210,000
O'Hara Trust	1,282,839	1,245,052
Other Donors	93,189	197,082
Donor Restrictions Expired - Operations:		
BGCDF - Grant	1,150,428	119,991
Alternative Investment	42,931	41,678
In-Kind Lease Expense	163,258	462,767
CST - Grant	4,000	4,000
Total Restrictions Released	\$ 2,906,645	\$ 2,280,570

NOTE 10 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 \$1,026,891 and \$1,282,838 as of December 31, 2017 and 2016, 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 11 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, 2017 and 2016, the BGCDF had net assets of \$7,531,526 and \$6,904,061 (of which \$1,070,736 was permanently restricted), respectively. Boys & Girls Clubs of Greater Dallas, Inc. received contributions from BGCDF of \$324,397 and \$483,331 for the years ended December 31, 2017 and 2016, 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.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 11 BOYS & GIRLS CLUBS OF GREATER DALLAS, INC. FOUNDATION (CONTINUED)

BGPDF received contributions from the Club of \$268,942 and \$1,337,842 for the years ended December 31, 2017 and 2016, respectively. These contributions are due to transferring the special distribution from the O'Hara Trust and the Maverick alternative investment to BGPDF in 2017 and 2016, respectively. Contributions from the Club are eliminated upon consolidation.

BGPDF's unrestricted net assets are classified as temporarily restricted in the accompanying consolidated financial statements until the BGPDF's board of directors approves disbursements to Boys & Girls Clubs of Greater Dallas, Inc.

NOTE 12 CHAMBERS-SHOELLKOPF-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, 2017 and 2016, CST's net assets were \$74,524 and \$70,196 (of which \$50,000 were permanently restricted), respectively. CST awarded scholarships totaling \$4,000 for the years ended December 31, 2017 and 2016.

NOTE 13 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 \$54,636 and \$54,096 to the plan as of December 31, 2017 and 2016, respectively.

NOTE 14 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>
2018	\$ 15,109
2019	7,609
2020	4,445
2021	20
2022	1
Thereafter	9
Total	<u>\$ 27,193</u>

Total rent expense was \$25,201 and \$22,241 for the years ended December 31, 2017 and 2016, respectively.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 15 CONCENTRATIONS

The Club received approximately 16% and 20% of its support and revenue from The O'Hara Trust during the fiscal years ended December 31, 2017 and 2016, respectively.

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

NOTE 16 ENDOWMENT FUNDS

The Club's endowment consists of three individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and 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 classifies as permanently restricted net assets:

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

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the 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.

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 16 ENDOWMENT FUNDS (CONTINUED)

Investment Return Objectives, Risk Parameters and Strategies

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.

Endowment net asset composition by type of fund as of December 31, 2017 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-Restricted Endowment Funds	\$ -	\$ 1,116,220	\$ 1,120,736	\$ 2,236,956
Board-Designated Endowment Funds	5,465,571	-	-	5,465,571
Total	<u>\$ 5,465,571</u>	<u>\$ 1,116,220</u>	<u>\$ 1,120,736</u>	<u>\$ 7,702,527</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Balance - December 31, 2016	\$ 4,313,356	\$ 1,356,328	\$ 1,120,736	\$ 6,790,420
Investment Income	2,225	740,096	-	742,321
Contributions	169,786	-	-	169,786
Released from Restrictions	980,204	(980,204)	-	-
Balance - December 31, 2017	<u>\$ 5,465,571</u>	<u>\$ 1,116,220</u>	<u>\$ 1,120,736</u>	<u>\$ 7,702,527</u>

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 16 ENDOWMENT FUNDS (CONTINUED)

Investment Return Objectives, Risk Parameters and Strategies (Continued)

As of December 31, 2017, the Club had the following restricted endowment funds:

	Permanently Restricted	Temporarily Restricted	Deficiencies Included in Unrestricted	Total
Scholarships	\$ 50,000	\$ 778,012	\$ -	\$ 828,012
Creative Arts	802,500	281,466	-	1,083,966
Repairs and Maintenance	268,236	56,742	-	324,978
Total	<u>\$ 1,120,736</u>	<u>\$ 1,116,220</u>	<u>\$ -</u>	<u>\$ 2,236,956</u>

Endowment net asset composition by type of fund as of December 31, 2016 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-Restricted Endowment Funds	\$ -	\$ 1,356,328	\$ 1,120,736	\$ 2,477,064
Board-Designated Endowment Funds	4,313,356	-	-	4,313,356
Total	<u>\$ 4,313,356</u>	<u>\$ 1,356,328</u>	<u>\$ 1,120,736</u>	<u>\$ 6,790,420</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Balance - December 31, 2015	\$ 4,675,792	\$ 1,469,760	\$ 1,120,736	\$ 7,266,288
Investment Income	218	218,688	-	218,906
Contributions	-	-	-	-
Released from Restrictions	(362,654)	(332,120)	-	(694,774)
Balance - December 31, 2016	<u>\$ 4,313,356</u>	<u>\$ 1,356,328</u>	<u>\$ 1,120,736</u>	<u>\$ 6,790,420</u>

As of December 31, 2016, the Club had the following restricted endowment funds:

	Permanently Restricted	Temporarily Restricted	Deficiencies Included in Unrestricted	Total
Scholarships	\$ 50,000	\$ 816,400	\$ -	\$ 866,400
Creative Arts	802,500	483,331	-	1,285,831
Repairs and Maintenance	268,236	56,597	-	324,833
Total	<u>\$ 1,120,736</u>	<u>\$ 1,356,328</u>	<u>\$ -</u>	<u>\$ 2,477,064</u>

**BOYS & GIRLS CLUB OF GREATER
DALLAS, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 17 SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Club has evaluated events and transactions for potential recognition or disclosure through June 21, 2018, the date the consolidated financial statements were available to be issued.