BOYS AND GIRLS CLUBS OF TUCSON, INC.

Audited Financial Statements

For the years ended December 31, 2016 and 2015

BOYS AND GIRLS CLUBS OF TUCSON, INC.

TABLE OF CONTENTS

LUDWIG KLEWER & CO. PLLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys and Girls Clubs of Tucson, Inc.

We have audited the accompanying financial statements of Boys and Girls Clubs of Tucson, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of Tucson, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ludwig Klewer + Co. PLLC

June 20, 2017

Chris Wm. Ludwig, CPA Julie S. Klewer, CPA, MBA Eric S. Rudner, CPA

4783 East Camp Lowell Drive Tucson, Arizona 85712
telephone 520 545 0500 facsimile 520 545 0555 www.ludwigklewer.com

BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	$ 977,933	$ 930,105
Bequest receivable	192,500	-
Grants receivable	12,508	22,211
Unconditional promises to give, current portion	119,237	162,314
Prepaid expenses and other current assets	38,248	30,608
Investments ($378,238 and $368,711 pledged as collateral on deferred grant obligation at December 31, 2016 and 2015, respectively) - current portion	3,025,247	3,154,472
Total current assets	4,365,673	4,299,710
Unconditional promises to give, non-current portion, net	233,219	615,412
Property and equipment, net	3,188,121	3,456,248
Investments, non-current portion	81,615	110,015
Total assets	$ 7,868,628	$ 8,481,385

LIABILITIES AND NET ASSETS

	2016	2015
Current liabilities:		
Accounts payable	$ 40,303	$ 38,065
Accrued expenses	76,318	78,204
Deferred revenue	59,260	69,103
Deferred grant obligation, current portion	35,000	35,000
Capital leases payable	-	5,919
Total current liabilities	210,881	226,291
Deferred grant obligation, non-current portion	175,000	210,000
Total liabilities	385,881	436,291
Net assets:		
Unrestricted	6,026,486	6,160,284
Temporarily restricted	602,311	1,030,860
Permanently restricted	853,950	853,950
Total net assets	7,482,747	8,045,094
Total liabilities and net assets	$ 7,868,628	$ 8,481,385

See independent auditor's report and
accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENT OF ACTIVITIES
For the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Contributions	$ 815,178	$ 339,299	$ -	$ 1,154,477
Special events	491,502	-	-	491,502
Other grants	369,543	-	-	369,543
In-kind contributions	240,305	-	-	240,305
Investment income, net	181,211	-	-	181,211
Program service fees	180,830	-	-	180,830
Development fundraising	106,425	-	-	106,425
United Way	84,561	-	-	84,561
Government grants	81,566	-	-	81,566
Other revenues	17,051	-	-	17,051
Net assets released from restrictions:				
Satisfaction of donor restrictions	767,848	(767,848)	-	-
Total revenues and support	3,336,020	(428,549)	-	2,907,471
Expenses:				
Program services	2,497,468	-	-	2,497,468
Supporting services:				
General and administrative	349,354	-	-	349,354
Fund-raising	388,969	-	-	388,969
Special events- costs of direct donor benefits	234,027	-	-	234,027
Total expenses	3,469,818	-	-	3,469,818
Change in net assets	(133,798)	(428,549)	-	(562,347)
Net assets, beginning of year, as reclassified	6,160,284	1,030,860	853,950	8,045,094
Net assets, end of year	$ 6,026,486	$ 602,311	$ 853,950	$ 7,482,747
Nature of net assets:				
Unrestricted - undesignated	$ 637,211	$ -	$ -	$ 637,211
Unrestricted - board designated	2,032,916	-	-	2,032,916
Angel Charity collateral	378,238	-	-	378,238
Investment in property and equipment, net	2,978,121	-	-	2,978,121
Donor restricted - clubhouse/operating	-	516,382	-	516,382
Donor restricted - education	-	85,929	-	85,929
Donor restricted - endowments	-	-	853,950	853,950
	$ 6,026,486	$ 602,311	$ 853,950	$ 7,482,747

See independent auditor's report and accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENT OF ACTIVITIES
For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Special events	$ 1,031,017	$ -	$ -	$ 1,031,017
Contributions	596,423	337,805	-	934,228
Other grants	294,726	-	-	294,726
Program service fees	109,373	-	-	109,373
In-kind contributions	108,796	-	-	108,796
Government grants	83,201	-	-	83,201
Development fundraising	82,910	-	-	82,910
United Way	75,425	-	-	75,425
Other revenues	18,360	-	-	18,360
Investment loss, net	(105,583)	-	-	(105,583)
Net assets released from restrictions:				
Satisfaction of donor restrictions	383,671	(383,671)	-	-
Total revenues and support	2,678,319	(45,866)	-	2,632,453
Expenses:				
Program services	2,153,725	-	-	2,153,725
Supporting services:				
General and administrative	403,281	-	-	403,281
Fund-raising	295,534	-	-	295,534
Special events - costs of direct donor benefits	643,522	-	-	643,522
Total expenses	3,496,062	-	-	3,496,062
Change in net assets	(817,743)	(45,866)	-	(863,609)
Net assets, beginning of year, as reclassified	6,978,027	1,076,726	853,950	8,908,703
Net assets, end of year, as reclassified	$ 6,160,284	$ 1,030,860	$ 853,950	$ 8,045,094

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Nature of net assets:				
Unrestricted - undesignated	$ 488,363	$ -	$ -	$ 488,363
Unrestricted - board designated	2,097,881	-	-	2,097,881
Angel Charity collateral	368,711	-	-	368,711
Investment in property and equipment, net	3,205,329	-	-	3,205,329
Donor restricted - clubhouse/operating	-	957,646	-	957,646
Donor restricted - education	-	73,214	-	73,214
Donor restricted - endowments	-	-	853,950	853,950
	$ 6,160,284	$ 1,030,860	$ 853,950	$ 8,045,094

See independent auditor's report and
accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2016

	Program Services	General and Administrative	Fund-Raising	Total
Payroll and related expenses	$ 1,349,922	$ 176,636	$ 247,140	$ 1,773,698
Depreciation	366,869	54,165	1,311	422,345
Supplies	352,898	18,714	18,884	390,496
Professional fees	127,626	42,150	92,563	262,339
Repairs and maintenance	82,474	14,188	67	96,729
Utilities	65,913	983	-	66,896
Insurance	50,568	6,598	4,788	61,954
Telephone	23,815	8,537	1,791	34,143
Conferences and meetings	15,667	14,133	1,645	31,445
Transportation	21,253	3,084	2,018	26,355
Printing and publication	7,742	1,962	9,909	19,613
National and membership dues	12,086	2,828	2,222	17,136
Scholarships, awards and grants	16,380	-	-	16,380
Postage and shipping	2,839	1,706	4,561	9,106
Miscellaneous	667	3,545	1,945	6,157
Interest expense	749	125	125	999
Total functional expenses	$ 2,497,468	$ 349,354	$ 388,969	$ 3,235,791

See independent auditor's report and
accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2015

	Program Services	General and Administrative	Fund-Raising	Total
Payroll and related expenses	$ 1,150,363	$ 227,437	$ 166,050	$ 1,543,850
Depreciation	360,291	58,886	1,994	421,171
Supplies	288,217	21,848	85,252	395,317
Professional fees	61,743	43,987	21,886	127,616
Repairs and maintenance	80,466	11,747	355	92,568
Insurance	61,318	6,234	710	68,262
Utilities	63,517	793	-	64,310
Conferences and meetings	11,787	14,664	2,866	29,317
Telephone	20,631	7,100	925	28,656
Transportation	19,541	2,399	3,419	25,359
National and membership dues	10,950	3,351	2,747	17,048
Printing and publication	6,542	2,888	6,312	15,742
Scholarships, awards and grants	10,340	-	-	10,340
Postage and shipping	3,115	1,331	1,938	6,384
Interest expense	4,215	-	256	4,471
Miscellaneous	689	616	824	2,129
Total functional expenses	$ 2,153,725	$ 403,281	$ 295,534	$ 2,852,540

See independent auditor's report and
accompanying notes to financial statements.

BOYS AND GIRLS CLUB OF TUCSON, INC.

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015

		2016		2015
Cash flows from operating activities:				
Change in net assets	$	(562,347)	$	(863,609)
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation		422,345		421,171
Change in allowance for net present value, unconditional promises to give		(49,730)		(27,407)
Change in allowance for uncollectible promises to give		-		(3,547)
Net realized and unrealized (gain) loss on investments		(127,196)		163,025
Scheduled release of deferred grant obligation		(35,000)		(35,000)
Changes in operating assets and liabilities:				
Contributions and accounts receivable		-		60,908
Bequest receivable		(192,500)		-
Grants receivable		9,703		(20,946)
Unconditional promises to give		475,000		178,550
Prepaid expenses and other current assets		(7,640)		30,445
Accounts payable		2,238		4,588
Accrued expenses		(1,886)		8,989
Deferred revenue		(9,843)		44,255
Total adjustments		485,491		825,031
Net cash used in operating activities		(76,856)		(38,578)
Cash flows from investing activities:				
Proceeds from sale of investments		1,424,236		1,116,501
Purchases of investments		(1,139,415)		(1,655,488)
Purchases of property and equipment		(154,218)		(43,747)
Net cash provided by (used in) investing activities		130,603		(582,734)
Cash flows from financing activities:				
Principal payments made on capital leases payable		(5,919)		(12,107)
Principal payments made on note payable		-		(2,453)
Net cash used in financing activities		(5,919)		(14,560)
Change in cash and cash equivalents		47,828		(635,872)
Cash and cash equivalents, beginning of year		930,105		1,565,977
Cash and cash equivalents, end of year	$	977,933	$	930,105
Supplemental schedule of cash flow information:				
Cash paid during the year for interest	$	998	$	4,471
Supplemental disclosure of non-cash investing and financing information:				
Scheduled release of deferred grant obligation	$	35,000	$	35,000

See independent auditor's report and accompanying notes to financial statements.

1. Organization

Boys and Girls Clubs of Tucson, Inc. (Club) is a nonprofit corporation organized under the laws of the state of Arizona. The Club has been serving Tucson children since 1964. Its purpose is to provide young people in Tucson, especially those who need them most, with a clear path to reach their full potential and pursue their dreams.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The Club reports information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted and permanently restricted) based upon the existence or absence of donor-imposed restrictions.

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Club. Generally, the donors of these assets permit the Club to use all or part of the income earned on any related investments for general or specific purposes.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Club considers cash and highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Bequests Receivable

Bequests are recognized as contribution revenue in the period in which the Club receives notification that a will or trust has been enacted, the court has deemed the will or trust valid and all conditions have been substantially met. The revenue and related receivable is recorded at the amount which management estimates it will collect.

Investments

The Club records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

2. Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchased property and equipment, with a cost of greater than $1,000 and a useful life of greater than one year, is stated at cost. Donated property and equipment is recorded at estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support absent donor stipulations regarding how long those donated assets must be maintained. The Club reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Club reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The cost of repairs and maintenance is charged to expense in the year incurred. Expenditures that increase the useful lives of the assets are capitalized. Upon the sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts. All gains or losses are reflected in revenue in the year of disposition. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	7-40 years
Equipment	5-7 years
Statues	7 years
Vehicles	5 years

Income Taxes

The Club is exempt from federal income taxes under Internal Revenue Code Section (IRC) 501(c)(3) and from Arizona income tax under Arizona Revised Statute Section 43-1201(4). The Club is classified as other than a private foundation under Section 509(a)(1) of the IRC.

The Club's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of December 31, 2016, management is not aware of any uncertain tax positions that are potentially material. In addition, management is not aware of any matters which would cause the Club to lose its tax-exempt status.

Volunteer Services and Donated Goods

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Accounting Estimates

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

2. Summary of Significant Accounting Policies, Continued

Functional Expenses

The Club allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by other reasonable methods.

3. Concentration Risk

The Club maintains cash and investment accounts with various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to $250,000 per institution. Investments held by other institutions are covered up to $500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, SIPC does not protect against losses in market value. At December 31, 2016 and 2015, the Club had cash and investments in the amount of $3,300,397 and $3,383,383, respectively, at various banks and institutions in excess of FDIC and SIPC limitations. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time.

4. Unconditional Promises to Give

The Club conducts an ongoing campaign to help raise funds for the Club. At December 31, 2016 and 2015, the balances due on pledges for this campaign are scheduled to be paid in future years as follows:

	2016	2015
2016	$ -	$ 175,000
2017	125,000	175,000
2018	125,000	175,000
2019	125,000	175,000
2020	-	150,000
Total unconditional promises to give	375,000	850,000
Less interest component at 3.25%	(17,443)	(67,173)
Less allowance for uncollectible promises receivable	(5,101)	(5,101)
Unconditional promises to give, net	352,456	777,726
Less current portion	(119,237)	(162,314)
Non-current portion	$ 233,219	$ 615,412

5. Investments

Investments are stated at fair value and consist of the following at December 31,:

	2016	2015
Mutual funds	$ 2,415,437	$ 2,458,225
Stocks	584,351	671,045
Corporate bonds	107,074	135,217
Total investments	3,106,862	3,264,487
Less current portion	(3,025,247)	(3,154,472)
Investments, non-current portion	$ 81,615	$ 110,015

As discussed in Note 9, during June 2012, the Club executed a forgivable promissory note payable to Angel Charity for Children, Inc. In accordance with the terms of that agreement, investments at December 31, 2016 and 2015 include $378,238 and $368,711, respectively, pledged as collateral securing the note.

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

	2016	2015
Net realized and unrealized gain (loss)	$ 127,196	$ (163,025)
Interest and dividend income	78,797	83,497
Investment expense	(24,782)	(26,055)
Investment income (loss), net	$ 181,211	$ (105,583)

6. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2: Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

6. Fair Value Measurements, Continued

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

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

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

- *Stock, Corporate bonds, Mutual funds:* Valued at fair value based on national trade listing.
- *Unconditional promises to give:* Valued at net present value of anticipated receipts.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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 a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis are:

	Assets at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Stock	$ 584,351	$ -	$ -	$ 584,351
Corporate bonds	107,074	-	-	107,074
Mutual funds:				
International	493,493	-	-	493,493
Fixed income	423,510	-	-	423,510
Large cap growth	396,621	-	-	396,621
Intermediate-term bond	266,760	-	-	266,760
Investment grade	235,336	-	-	235,336
Balanced	215,494	-	-	215,494
Small/mid cap diversified	155,018	-	-	155,018
Short-term bond	108,375	-	-	108,375
Sector and specialty	85,006	-	-	85,006
High yield bond	26,168	-	-	26,168
Bond	9,656	-	-	9,656
Total assets	$ 3,106,862	$ -	$ -	$ 3,106,862

6. Fair Value Measurements, Continued

	Assets at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Stock	$ 671,045	$ -	$ -	$ 671,045
Corporate bonds	135,217	-	-	135,217
Mutual funds:				
International	624,080	-	-	624,080
Balanced	434,836	-	-	434,836
Large cap growth	430,380	-	-	430,380
Fixed income	312,002	-	-	312,002
Investment grade	247,588	-	-	247,588
Intermediate-term bond	246,475	-	-	246,475
Sector and specialty	79,730	-	-	79,730
Small/mid cap diversified	68,649	-	-	68,649
Index	14,485	-	-	14,485
Total assets	$ 3,264,487	$ -	$ -	$ 3,264,487

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

7. Property and Equipment

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

	2016	2015
Buildings and building improvements	$ 8,029,884	$ 7,930,820
Equipment	1,349,834	1,294,680
Statues	11,408	11,408
Vehicles	214,206	214,206
Total property and equipment	9,605,332	9,451,114
Less accumulated depreciation	(6,417,211)	(5,994,866)
Property and equipment, net	$ 3,188,121	$ 3,456,248

Three of the Club's recreational facilities, the Roy Drachman, Holmes Tuttle and Steve Daru Clubhouses, are subject to cooperative maintenance agreements with the City of Tucson, a municipal corporation of the state of Arizona. In general, the agreements provide for the Club to construct, own and operate recreational centers within the City of Tucson's parks. Legal title to the Roy Drachman, Holmes Tuttle, and Steve Daru Clubhouses be, and remain, in the name of the Club through September 9, 2025 with each agreement containing an option to renew, by mutual consent, for up to two additional 10-year periods.

Two of the Club's recreational facilities, the Frank and Edith Morton and the Jim and Vicki Click Clubhouses, are subject to cooperative maintenance agreements with the Tucson Unified School District (TUSD). Legal title to the Frank and Edith Morton and the Jim and Vicki Click Clubhouses shall be, and remain, in the name of the Club through June 26, 2027 and October 31, 2031, respectively. Each of the agreements provides a renewal option for additional five-year successive terms by mutual agreement. Upon termination of the agreements, title to the recreational facilities will revert to the TUSD.

8. Capital Leases Payable

Capital leases payable consist of the following at December 31,:

	2016	2015
Mitel Phone Lease, requiring monthly installments of $724 including interest through May 2016, collateralized by telephone equipment.	$ -	$ 4,101
Lanier MF Lease, requiring monthly installments of $239 including interest through August 2016, collateralized by a copier.	-	1,818
IKON Leasing Company, requiring monthly installments of $380 including interest through March 2015, collateralized by a copier.	-	-
Net minimum lease payments	-	5,919
Less current portion	-	(5,919)
Capital leases payable, non-current portion	$ -	$ -

The total cost of office equipment under these leases was $56,845 December 31, 2015.

9. Deferred Grant Obligation

During the year ended December 31, 2011, Angel Charity for Tucson, Inc. (Angel Charity) made a $350,000 pledge to the Club to support the renovation at the Roy Drachman Clubhouse. During June 2012, the Club executed a non-recourse, non interest-bearing promissory note in favor of Angel Charity in the amount of $350,000. The note is secured by investments pledged as collateral ($378,238 and $368,711 at December 31, 2016 and 2015, respectively). The note provides that, on the condition the Club continues to utilize the facility to provide the Clubhouse services, Angel Charity will forgive the note at a rate of $35,000 per year for a ten-year period beginning with the year ended December 31, 2013. The entire $350,000 shall have been forgiven by Angel Charity, and the security interest in the Club's investments shall be canceled, terminated and released by the maturity date of December 31, 2023.

Future maturities of the deferred grant obligation at December 31, 2016 are:

2017	$ 35,000
2018	35,000
2019	35,000
2020	35,000
2021	35,000
Thereafter	35,000
Total deferred grant obligation	210,000
Less current portion	(35,000)
Deferred grant obligation, non-current portion	$ 175,000

10. In-Kind Contributions

During the years ended December 31, 2016 and 2015, the Club recognized in-kind contributions, excluding those associated with special events, consisting of:

	2016	2015
Professional services	$ 121,815	$ 89,393
Supplies	118,490	19,403
Total in-kind contributions	$ 240,305	$ 108,796

11. Summary of Special Events

The Club's special event activities for the years ended December 31, 2016 and 2015 consist of:

	2016		
	Revenue	Expenses	Net
Olson Dinner, including in-kind donations of $7,125	$ 131,830	$ 16,493	$ 115,337
The Event, including in-kind donations of $132,326	314,532	221,348	93,184
Parties with a Purpose, including in-kind donations of $500	45,140	18,923	26,217
	$ 491,502	$ 256,764	$ 234,738

Special event expenses for the year ended December 31, 2016 include $234,027 of direct donor benefit costs as reported on the statement of activities, and the remaining $22,737 of other special event expenses are allocated on the statement of functional expenses as fundraising.

	2015		
	Revenue	Expenses	Net
The Party, including in-kind donations of $288,555	$ 567,495	$ 461,720	$ 105,775
The Event, including in-kind donations of $139,402	300,057	215,541	84,516
Ask Breakfast	163,465	14,822	148,643
	$ 1,031,017	$ 692,083	$ 338,934

Special event expenses for the year ended December 31, 2015 include $643,522 of direct donor benefit costs as reported on the statement of activities, and the remaining $48,561 of other special event expenses are allocated on the statement of functional expenses as fundraising.

12. Commitments

Operating Leases

The Club has four equipment leases with expiration dates ranging from April 2017 to August 2021. Rent expense under these agreements was $9,714 and $6,486, during the years ended December 31, 2016 and 2015, respectively. Future minimum lease payments under these agreements are:

2017	$	6,906
2018		4,496
2019		3,242
2020		2,760
2021		1,610
Total future minimum lease payments	$	19,014

13. Retirement Plan

The Club adopted the Boys and Girls Clubs of Tucson Employee's Retirement Plan. The participants may make limited salary deferral contributions. The Club's matching contribution equals 25% on the first 8% of the Participant's compensation which is deferred as an elective deferral. Matching contributions shall be determined each payroll period. The minimum age required to participate in the plan is 21. Employees are eligible to participate after three months of service. Participants are immediately vested in their salary deferral contributions and become 100% vested in employer contributions after six years of participation in the plan. The Club contributed $11,177 and $9,107, respectively, during the years ended December 31, 2016 and 2015.

14. Endowment Funds

The Club's endowments were established by individual donors as restricted funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Club has interpreted Arizona's version (Titled the "Management of Charitable Funds Act" (the Act)) of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Club classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by the Act.

14. Endowment Funds, Continued

The Club has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment fund while seeking to maintain the original value of any contributions to the endowment assets. Endowment assets include those assets of donor-restricted funds that the Club must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested with a growth and income style of investing in a portfolio comprised of cash, fixed income securities and equities. Investment income is appropriated for expenditure in the year earned, and is, therefore, included in unrestricted net assets.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted membership endowment funds	$ -	$ -	$ 698,000
Donor-restricted scholarship endowment funds	-	-	155,950
	$ -	$ -	$ 853,950

Endowment net asset composition by type of fund as of December 31, 2015 consists of:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted membership endowment funds	$ -	$ -	$ 698,000
Donor-restricted scholarship endowment funds	-	-	155,950
	$ -	$ -	$ 853,950

15. Net Asset Reclassification

Net assets as of December 31, 2015 have been reclassified between unrestricted and temporarily restricted net assets to properly reflect the change in the allowance for the net present value related to unconditional promises to give as released from restrictions during both the years ended December 31, 2015 and 2014. Temporarily restricted net assets have been increased and unrestricted net assets have been decreased by $128,520 and $94,580 as of December 31, 2015 and 2014, respectively.

16. Subsequent Events

The Club was unaware of any subsequent events as of June 20, 2017, the date the financial statements were available to be issued.