

Brigade Boys & Girls Club, Inc.

Financial Statements

*For the Year Ended December 31, 2015
(with Comparative Totals for 2014)*



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Brigade Boys & Girls Club, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Brigade Boys & Girls Club, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Brigade Boys & Girls Club, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Brigade Boys & Girls Club, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eamy & Company, L.L.P.

Wilmington, North Carolina
May 9, 2016

Brigade Boys & Girls Club, Inc.
Statement of Financial Position
As of December 31

	2015						2014 Comparative Total
	Unrestricted		Board Designated	Temporarily Restricted	Permanently Restricted Endowment	Total	
	Operations	Property					
ASSETS							
Cash & cash equivalents	\$ 18,591	\$ -	\$ -	\$ 20,833	\$ -	\$ 39,424	\$ 17,341
Grant & other receivables	<u>230,288</u>	-	-	<u>79,333</u>	-	<u>309,621</u>	<u>212,664</u>
Total Current Assets	<u>248,879</u>	-	-	<u>100,166</u>	-	<u>349,045</u>	<u>230,005</u>
Assets Whose Use is Limited (Note 9)							
Board designated	-	-	591,453	-	-	591,453	177,819
Endowment	-	-	-	-	143,348	143,348	544,654
	-	-	<u>591,453</u>	-	<u>143,348</u>	<u>734,801</u>	<u>722,473</u>
Property							
Land	-	25,000	-	-	-	25,000	25,000
Buildings	-	2,855,643	-	-	-	2,855,643	2,855,643
Furniture & fixtures	-	44,604	-	-	-	44,604	44,604
Equipment	-	225,410	-	-	-	225,410	205,205
Technology	-	374,392	-	-	-	374,392	374,392
Vehicles	-	275,093	-	-	-	275,093	208,901
	-	3,800,142	-	-	-	3,800,142	3,713,745
Less: Accumulated depreciation	-	<u>(2,178,827)</u>	-	-	-	<u>(2,178,827)</u>	<u>(2,069,894)</u>
	-	<u>1,621,315</u>	-	-	-	<u>1,621,315</u>	<u>1,643,851</u>
Total Assets	\$ <u>248,879</u>	\$ <u>1,621,315</u>	\$ <u>591,453</u>	\$ <u>100,166</u>	\$ <u>143,348</u>	\$ <u>2,705,161</u>	\$ <u>2,596,329</u>
LIABILITIES & NET ASSETS							
Accounts payable	\$ 53,995	\$ -	\$ -	\$ -	\$ -	\$ 53,995	\$ 46,181
Payroll taxes payable	-	-	-	-	-	-	18,918
Current maturities of debt	<u>92,248</u>	<u>32,200</u>	-	-	-	<u>124,448</u>	<u>88,297</u>
Total Current Liabilities	<u>146,243</u>	<u>32,200</u>	-	-	-	<u>178,443</u>	<u>153,396</u>
Due to (from)	-	-	-	-	-	-	-
Long-term notes payable (Note 7)	-	<u>27,538</u>	-	-	-	<u>27,538</u>	<u>31,538</u>
Total Liabilities	<u>146,243</u>	<u>59,738</u>	-	-	-	<u>205,981</u>	<u>184,934</u>
Net Assets							
Unrestricted	102,636	1,561,577	591,453	-	-	2,255,666	2,188,028
Temporarily restricted	-	-	-	100,166	-	100,166	110,371
Permanently restricted	-	-	-	-	143,348	143,348	112,996
Total Net Assets	<u>102,636</u>	<u>1,561,577</u>	<u>591,453</u>	<u>100,166</u>	<u>143,348</u>	<u>2,499,180</u>	<u>2,411,395</u>
Total Liabilities & Net Assets	\$ <u>248,879</u>	\$ <u>1,621,315</u>	\$ <u>591,453</u>	\$ <u>100,166</u>	\$ <u>143,348</u>	\$ <u>2,705,161</u>	\$ <u>2,596,329</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Brigade Boys & Girls Club, Inc.
Statement of Activities
For the Year Ended December 31

	2015					Total	2014 Comparative Total
	Unrestricted		Board Designated	Temporarily Restricted	Permanently Restricted Endowment		
	Operations	Property					
SUPPORT & REVENUE							
Support							
Grants (Note 6)	\$ 191,742	\$ -	\$ -	\$ 806,523	\$ -	\$ 998,265	\$ 508,580
Contributions	429,627	-	-	-	-	429,627	231,953
Golf tournament, net	-	-	-	-	30,352	30,352	33,155
Other special events, net	74,031	-	-	-	-	74,031	62,324
Assets released from restrictions	816,728	-	-	(816,728)	-	-	-
Total Support	<u>1,512,128</u>	<u>-</u>	<u>-</u>	<u>(10,205)</u>	<u>30,352</u>	<u>1,532,275</u>	<u>836,012</u>
Revenue							
Program fees & other	598,755	-	-	-	-	598,755	331,749
Investment income (Note 9)	-	-	(20,434)	-	-	(20,434)	42,782
Interest income	-	-	24,203	-	-	24,203	12,695
Total Revenue	<u>598,755</u>	<u>-</u>	<u>3,769</u>	<u>-</u>	<u>-</u>	<u>602,524</u>	<u>387,226</u>
Total Support & Revenue	<u>2,110,883</u>	<u>-</u>	<u>3,769</u>	<u>(10,205)</u>	<u>30,352</u>	<u>2,134,799</u>	<u>1,223,238</u>
EXPENSES							
Program	1,735,078	98,040	-	-	-	1,833,118	1,152,500
Administrative	147,130	15,406	-	-	-	162,536	141,129
Fundraising	76,655	-	-	-	-	76,655	43,802
Total Expenses	<u>1,958,863</u>	<u>113,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,072,309</u>	<u>1,337,431</u>
Change in Net Assets	<u>152,020</u>	<u>(113,446)</u>	<u>3,769</u>	<u>(10,205)</u>	<u>30,352</u>	<u>62,490</u>	<u>(114,193)</u>
Net Assets, Beginning	54,535	1,524,016	609,477	110,371	112,996	2,411,395	2,525,588
Onslow County Asset Acquisition (Note 3)	25,295	-	-	-	-	25,295	-
Transfers	<u>(129,214)</u>	<u>151,007</u>	<u>(21,793)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, Ending	<u>\$ 102,636</u>	<u>\$ 1,561,577</u>	<u>\$ 591,453</u>	<u>\$ 100,166</u>	<u>\$ 143,348</u>	<u>\$ 2,499,180</u>	<u>\$ 2,411,395</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Brigade Boys & Girls Club, Inc.
Statement of Functional Expenses
For the Year Ended December 31

	2015			Total	2014 Comparative Total
	Program	Administrative	Fundraising		
Salaries & Related					
Salaries expense	\$ 1,018,265	\$ 98,028	\$ 57,100	\$ 1,173,393	\$ 670,406
Payroll tax expense	90,886	8,750	5,096	104,732	60,394
Pension expense	48,737	4,692	2,733	56,162	41,345
Health insurance	46,976	4,522	2,634	54,132	35,803
Workers compensation	12,075	1,162	677	13,914	11,058
Total Salaries & Related	1,216,939	117,154	68,240	1,402,333	819,006
Program expenses	54,990	-	-	54,990	25,851
Professional expenses	14,356	1,248	-	15,604	10,650
Supplies, recreation, & other	19,517	1,084	1,085	21,686	14,129
Telephone	14,470	1,393	811	16,674	10,043
Postage & shipping	2,012	194	113	2,319	2,128
Occupancy	43,721	8,197	2,733	54,651	50,646
Repair & rentals	36,351	4,039	-	40,390	39,746
Printing	15,599	1,502	875	17,976	5,208
Travel	75,232	3,960	-	79,192	74,755
Conferences & workshops	4,520	435	253	5,208	1,868
Insurance	45,385	4,369	2,545	52,299	51,255
Dues	14,218	3,555	-	17,773	13,627
Participant - food	128,517	-	-	128,517	97,593
Contract services	35,806	-	-	35,806	11,207
Miscellaneous	13,445	-	-	13,445	6,175
Subtotal	1,735,078	147,130	76,655	1,958,863	1,233,887
Interest	-	4,513	-	4,513	796
Depreciation	98,040	10,893	-	108,933	102,748
Total Expenses	\$ 1,833,118	\$ 162,536	\$ 76,655	\$ 2,072,309	\$ 1,337,431

The Accompanying Notes are an Integral Part of these Financial Statements

Brigade Boys & Girls Club, Inc.
Statement of Cash Flows
For the Year Ended December 31

	2015					2014 Comparative Total	
	Unrestricted		Board Designated	Temporarily Restricted	Permanently Restricted Endowment		Total
	Operations	Property					
Cash Flows From Operating Activities							
Cash Collections for:							
Support	\$ 1,409,304	\$ -	\$ -	\$ 3,492	\$ 30,352	\$ 1,443,148	\$ 835,436
Program revenue	598,755	-	-	-	-	598,755	331,749
Investment income	-	-	28,163	-	-	28,163	12,695
Other income	-	-	-	-	-	-	-
Cash Payments for:							
Salary & payroll tax	(1,421,251)	-	-	-	-	(1,421,251)	(808,226)
Other operating expenses	(556,546)	(4,513)	-	-	-	(561,059)	(425,772)
Net Cash Provided (Used) By Operating Activities	<u>30,262</u>	<u>(4,513)</u>	<u>28,163</u>	<u>3,492</u>	<u>30,352</u>	<u>87,756</u>	<u>(54,118)</u>
Cash Flows From Investing Activities							
Purchases of property, net	-	(86,397)	-	-	-	(86,397)	(44,373)
Purchases of investment, net	-	-	(28,163)	-	(8,559)	(36,722)	(12,695)
Asset purchase - Onslow County	25,295	-	-	-	-	25,295	-
Net Cash Provided (Used) By Investing Activities	<u>25,295</u>	<u>(86,397)</u>	<u>(28,163)</u>	<u>-</u>	<u>(8,559)</u>	<u>(97,824)</u>	<u>(57,068)</u>
Cash Flows From Financing Activities							
Proceeds from loans	92,248	17,954	-	-	-	110,202	82,242
Principal payments on loans	-	(78,051)	-	-	-	(78,051)	(1,333)
Transfers	(129,214)	151,007	-	-	(21,793)	-	-
Net Cash Provided (Used) By Financing Activities	<u>(36,966)</u>	<u>90,910</u>	<u>-</u>	<u>-</u>	<u>(21,793)</u>	<u>32,151</u>	<u>80,909</u>
Net Increase (Decrease) in Cash	18,591	-	-	3,492	-	22,083	(30,277)
Cash & Cash Equivalents, Beginning	-	-	-	17,341	-	17,341	47,618
Cash & Cash Equivalents, Ending	<u>\$ 18,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,833</u>	<u>\$ -</u>	<u>\$ 39,424</u>	<u>\$ 17,341</u>
Reconciliation of Net Income to Cash Provided (Used) By Operating Activities:							
Change in net assets	\$ 152,020	\$ (113,446)	\$ 3,769	\$ (10,205)	\$ 30,352	\$ 62,490	\$ (114,193)
Depreciation	-	108,933	-	-	-	108,933	102,748
Unrealized (gain) loss	-	-	24,394	-	-	24,394	(42,782)
Receivables (increase) decrease	(102,824)	-	-	13,697	-	(89,127)	(10,671)
Payables (decrease) increase	(18,934)	-	-	-	-	(18,934)	10,780
Net Cash Provided (Used) By Operating Activities	<u>\$ 30,262</u>	<u>\$ (4,513)</u>	<u>\$ 28,163</u>	<u>\$ 3,492</u>	<u>\$ 30,352</u>	<u>\$ 87,756</u>	<u>\$ (54,118)</u>
Supplemental Disclosure							
Interest paid						\$ 4,513	\$ 796

The Accompanying Notes are an Integral Part of these Financial Statements

Brigade Boys & Girls Club, Inc.
Notes to Financial Statements
December 31, 2015

1. PURPOSE AND ACTIVITIES

Brigade Boys & Girls Club, Inc.'s (the "Club") mission is to inspire and enable all young people, especially those most in need, to reach their full potential as productive, caring, and responsible citizens. The Club's vision is to provide a world-class club experience that assures success is within reach of every young person who walks through the Club's doors, with all members staying on track to graduate from high school with a plan for the future, demonstrating good character and citizenship, and living a healthy lifestyle. The Club's purpose is to provide and facilitate out-of-school time experiences that inspire and empower club youth to achieve success and champion opportunities for all young people.

During 2015, the Club had approximately 1,423 members aged 5 - 18 in New Hanover and Pender Counties in Southeastern North Carolina. Effective January 1, 2015, the Club acquired the Boys & Girls Club of Greater Onslow County through an asset acquisition transaction. As a result, during 2015, the Club served an additional 995 children at eight sites throughout Onslow County consisting of six school based sites, one church based site, and one community center site.

The Club's activities are guided by the Boys & Girls Club of America's (BGCA) Formula for Impact. This is a research-based theory of change that describes how individual Clubs and the Movement as a whole will increase the Club's impact – exponentially – on the young people of America. It is a road map for implementing the BGCA National Commission's recommendations. Each element of the Formula for Impact incorporates research into the ways that young people grow and thrive, as well as analysis of the best practices and traditions of highly effective clubs. The Formula for Impact calls for continual measurement and assessment – of club programs and services, implementation of best practices, and, most importantly, of youth outcomes. By implementing the Formula for Impact, Brigade Boys & Girls Club is evolving from being "outcome-intended" to "outcome-driven." As an outcome-driven organization the entire organization shares clear goals for youth which are broken down into age-specific milestones and everyone is on board with a clear plan to achieve them. All programs and activities are coordinated, purposeful and designed to advance one or more of the priority outcomes. The Club sets organizational targets and monitors its performance. As a result, the Club is able to describe its impact with not only inspiring stories about individual young people, but also with outcome measurement data.

The Club is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income related to its exempt purpose is not subject to income tax and contributions may be deductible within limits by the donor.

Brigade Boys & Girls Club, Inc.
Notes to Financial Statements
December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Club prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. Accordingly, income is recognized when earned and expenses are recorded when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Club's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Club's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Contributions

Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Club.

Temporarily restricted contributions are recognized as contribution income in the statement of activities when cash or ownership of donated assets is unconditionally promised to the Club and subsequently released to the unrestricted fund when expenses have been incurred in satisfaction of those restrictions.

The Club reports gifts of land, buildings, and equipment as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Club reports expirations of donor restriction when the donated or acquired long-lived assets are placed in service.

A substantial number of unpaid volunteers have made significant contributions of their time to further the Club's programs, principally in membership development, program planning, and fundraising. These donated services were not recorded in 2015 or 2014 since the criteria for recognition under generally accepted accounting principles was not met.

Brigade Boys & Girls Club, Inc.
Notes to Financial Statements
December 31, 2015

Net Assets

The financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are placed by its donors as follows:

- a) **Unrestricted net assets** are resources available to support operations, including property. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Club, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- b) **Unrestricted board designated net assets** are investments and certificates of deposit designated by the Board of Directors to be invested with income available to fulfill the Club's mission. For example, the Board of Directors has authorized up to \$200,000 as collateral for short-term borrowing for capital expenditures and operations. See Note 8 for details.
- c) **Temporarily restricted net assets** are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Club's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Club, unless the donor provides more specific directions about the period of its use.

- d) **Permanently restricted endowment net assets** are resources whose use by the Club is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Club's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class. See Note 8.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities, unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that the net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

Brigade Boys & Girls Club, Inc.
Notes to Financial Statements
December 31, 2015

Cash and Cash Equivalents

The Club considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, which were as follows at December 31:

	<u>2015</u>	<u>2014</u>
South State Bank - Checking	\$ 37,035	\$ 150
First Citizens - Checking	1,326	17,191
BB&T - Checking	<u>1,063</u>	<u>-</u>
	<u>\$ 39,424</u>	<u>\$ 17,341</u>

Property and Equipment

Property and equipment are stated at cost or at the fair market value at the date of gift if donated. Expenditures of an ordinary maintenance or repair nature are expensed as incurred and major renewals or improvements are capitalized. Equipment is capitalized if it has a cost of \$500 or more and a useful life of more than one year. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Building	39 years
Improvements	10 - 15 years
Furniture & equipment	5 - 7 years
Vehicles	5 years
Technology	3 years

Land, buildings, and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Income Taxes

Accounting principles generally accepted in the United States of America require the Club's management to evaluate tax positions taken by the Club and recognize a tax liability (or asset) if the Club has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Club has analyzed the tax positions taken and has concluded that as of December 31, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Club is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Club believes it is not subject to income tax examinations for years prior to 2012.

Brigade Boys & Girls Club, Inc.
Notes to Financial Statements
December 31, 2015

Expense Recognition and Allocation

The cost of providing the Club's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using objective bases such as time spent, salaries, square feet, and other bases. Total expenses are \$2,087,686, which includes \$15,377 of expenses directly related to ancillary fundraising events.

Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Club. Administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others. Fundraising costs, including advertising, are expensed as incurred, even though they may result in contributions received in future years.

Prior Year

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Club's financial statements for the year then ended, from which the summarized information was derived. Certain reclassifications of prior year comparative amounts have been made in order to conform to the current year presentation.

Subsequent Events

Subsequent events have been evaluated through May 9, 2016, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. See Note 4.

Brigade Boys & Girls Club, Inc.
Notes to Financial Statements
December 31, 2015

3. ONSLOW COUNTY ASSET ACQUISITION

Effective January 1, 2015, the Club acquired the resources of Brigade Boys & Girls Club of Onslow County (Onslow County). The substance of the transaction was that Onslow County contributed its net assets to the Club. The transaction was documented in an Asset Purchase Agreement dated December 31, 2014, whereby the Club obtained all assets and no prior obligations of the Onslow County Club. The net assets conveyed included cash and program supplies and equipment of nominal value. The total net asset value of \$25,295 has been recorded as a non-operating contribution in the accompanying financial statements for the year ended December 31, 2015.

4. RETIREMENT PLAN COMMITMENT

All full-time employees over the age of 21 who have completed one full year of service have been eligible to participate in the Pension Trust of the Boys & Girls Clubs of America, which is a defined contribution money purchase retirement plan administered by the Boys & Girls Clubs of America. The plan requires the employer to contribute 10% of eligible participant's annual salary to the plan each year. An employee fully vests in five years. Retirement obligations of \$46,944 were incurred by the Club in 2015, all of which was accrued at year end, and \$50,563 in 2014 of which \$9,218 was accrued.

Effective January 1, 2016, the Club no longer participates in the Pension Trust of the Boys & Girls Clubs of America. The Club is working with American Funds to develop a 401(k) retirement program for its employees.

5. LEASES

The Club leases its Pender County and Onslow County locations under month to month leases. Lease expense totaled \$250 for Pender and \$5,950 for Onslow in 2015.

Brigade Boys & Girls Club, Inc.
Notes to Financial Statements
December 31, 2015

6. GRANTS

Grants awarded consist of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
NC Department of Juvenile Justice - Juvenile Restitution Program	\$ 26,216	\$ 26,775
NC Department of Juvenile Justice - Youth Court Grant	46,498	-
NC Department of Crime Control & Public Safety - Division of Governor's Crime Commission	57,043	27,168
NC Department of Health & Human Services - Power Hour & Smart Moves	150,756	102,234
NC Department of Health & Human Services - Food Program	86,356	87,486
NC Department of Health & Human Services - Food Program	56,749	27,289
U.S. Department of Justice - OJP Grant	<u>72,000</u>	<u>-</u>
Total Government Grants	495,618	270,952
Lehto Foundation	50,000	50,000
United Way	87,100	36,159
City of Wilmington	53,547	33,116
Onslow County	80,000	-
City of Jacksonville	15,000	-
Cape Fear Memorial	25,000	35,000
Davies Foundation	60,000	-
Eshelman Foundation	40,000	-
Boys & Girls Clubs of America	59,000	-
Altria	10,000	25,000
Best Buy	-	5,000
Other	<u>23,000</u>	<u>53,353</u>
Total Grants	<u>\$ 998,265</u>	<u>\$ 508,580</u>

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7. LONG-TERM NOTES PAYABLE

The Club has a line of credit and note payable with varying financial institutions. Long-term debt consists of the following:

	<u>2015</u>
Line of credit from South State Bank dated January 4, 2012. \$100,000 available with an interest rate of 2.1%. Monthly payments of interest are due until August 28, 2016, when the balance is due. The note is secured by certificates of deposit.	\$ 20,695
Line of credit from UBS dated October 2, 2015 with an interest rate of Libor plus 5.00%. Monthly payments of interest only are required. The note is secured by securities held by UBS.	71,553
Line of credit from South State Bank dated April 28, 2014. \$50,000 available with an interest rate of 2.1%. Monthly payments of interest are due until August 28, 2016, when the balance is due. The note is secured by certificates of deposit.	28,200
Note payable from the City of Wilmington with monthly payments of \$333 that are due until September 2024. The note is secured by a deed of trust.	<u>31,538</u>
Total	<u>\$ 151,986</u>

The following is a summary of maturities of the above notes:

2015	\$ 124,448
2016	4,000
2017	4,000
2018	4,000
2019	4,000
Thereafter	<u>11,538</u>
Total Debt	151,986
Less: Current Maturities	<u>(124,448)</u>
Total Long-Term Debt	<u>\$ 27,538</u>

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8. ENDOWMENT FUNDS

Board Designated

In November 2007, the Board of Directors designated available unrestricted resources as a Board Designated Endowment Fund ("Board Designated Endowment") to support the mission of the Club. Since the amount resulted from an internal designation and was not donor-restricted, it has been classified and reported as unrestricted net assets.

In May 2014, the Board of Directors authorized the use of \$150,000 as collateral for short-term borrowing for capital expenditures and operations. A portion of the remaining balance of the Board Designated Endowment, at the discretion of the Board of Directors, is to remain available to match contributions to the Brigade Permanent Endowment as described below. In September 2015, an additional \$50,000 of collateral was authorized by the Board of Directors.

Brigade Permanent Endowment

In March 2013, the Board of Directors established a new and separate fund to be known as the Brigade Permanent Endowment ("Permanent Endowment") to enable the Club to more completely fulfill its mission. By resolution of the Board, distributions from the Permanent Endowment are limited to (i) capital needs of the Club, (ii) program support, (iii) seed money for new projects and programs, and special one-time projects, and (iv) such other purposes as are specifically designated by donors to the Club whose gifts are included in the Permanent Endowment. The Permanent Endowment is to be managed by the Finance Committee of the Board of Directors in accordance with Board approved gift acceptance, investment, and spending policies. Effective in 2014, all proceeds from the annual Brigade golf tournament will be directed to the Permanent Endowment and may be matched dollar for dollar from available funds in the Board Designated Endowment. The funds available for distribution during any one year will be limited to a maximum of 5% of the average market value of the Permanent Endowment. This value is determined by computing a three-year rolling average of the total value of the Permanent Endowment at the end of each of the preceding 12 quarters, ending in June. No distribution shall be made until the market value of the fund exceeds \$100,000. The Brigade Permanent Endowment is classified and reported as permanently restricted net assets.

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Investment Return Objectives, Risk Parameters, and Strategies

The Club has adopted investment policies, approved by the Board of Directors, for endowment assets that attempt to provide reasonable return on invested assets. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity, while growing the funds if possible. Therefore, the Club expects its endowment assets, over time, to produce an average rate of return equal to the market rate. 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.

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

	<u>Board Designated</u>	<u>Permanently Restricted Endowment</u>
Endowment net assets, beginning	\$ 609,477	\$ 112,996
Additions	-	30,352
Net appreciation	11,887	-
Amounts appropriated for expenditure	(29,911)	-
Transfer to permanent endowment	-	-
Endowment net assets, ending	<u>\$ 591,453</u>	<u>\$ 143,348</u>

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9. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of various investments including mutual funds, certificates of deposit, and an insurance asset recorded at fair market value which are Board designated or restricted.

Accounting standards have established a hierarchy for ranking the quality and reliability of the information used in determining fair values. Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining fair value, the Club uses various valuation approaches within the fair value measurement framework. For example, equity securities and equity mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within level 1 of the valuation hierarchy.

Investments are recorded at fair value and consist of the following:

	December 31, 2015			December 31, 2014		
	Investment Cost	Quoted Prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain (Loss)	Investment Cost	Quoted Prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain (Loss)
Mutual Funds						
Vanguard						
Wellington Fund	\$ -	\$ -	\$ -	\$ 196,861	\$ 314,452	\$ 117,591
Vanguard						
S&P 500 Index	-	-	-	105,410	210,699	105,289
UBS - Board Designated						
Wellington Fund	211,939	244,083	32,144	-	-	-
S&P 500 Index	82,948	164,394	81,446	-	-	-
Sun Life Financial Inc of Canada	3,494	3,494	-	-	-	-
Schwab 1000 Index Fund	5,219	5,219	-	-	-	-
UBS - Permanent Endowment						
Wellington Fund	56,668	70,820	14,152	-	-	-
S&P 500 Index	23,144	49,028	25,884	-	-	-
CD South State Bank						
Endowment	178,320	178,320	-	178,804	178,804	-
Insurance Asset	17,638	19,443	1,805	17,638	18,518	880
Total	<u>\$ 579,370</u>	<u>\$ 734,801</u>	<u>\$ 155,431</u>	<u>\$ 498,713</u>	<u>\$ 722,473</u>	<u>\$ 223,760</u>

Investment income shown in statement of activities:

Change in unrealized gain/(loss)	\$ (24,349)	\$ 42,782
Realized gain/(loss)	3,915	-
	<u>\$ (20,434)</u>	<u>\$ 42,782</u>
Interest (including interest on cash)	<u>\$ 24,203</u>	<u>\$ 12,695</u>

10. RISK MANAGEMENT

The Club is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

The Club purchases commercial insurance coverage against risk of loss due to errors and omissions, property damage and theft, and various other insurable risks. The Club carries commercial general liability insurance in the amount of \$3,000,000 and umbrella coverage of \$5,000,000 for 2015 with a deductible of \$500 for all covered perils. For 2015 and 2014, the deductible for losses due to windstorm and/or hail is \$5,000 plus 1% per occurrence.

For 2015 and 2014, the Club was insured for workers' compensation and employers' liability. Excess liability insurance is purchased to provide coverage above the underlying limits for general liability, auto liability, employers' liability, and employee benefits liability. No claim payment has exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above.

11. CONCENTRATIONS OF RISK

Amounts held in financial institutions occasionally may be in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Club deposits its cash with high quality financial institutions, and management believes the Club is not exposed to significant credit risk on those amounts.

A significant portion, approximately 20% percent, of the Club's 2015 total support and revenue came from the North Carolina state government.

The majority of the Club's support and revenue is received from corporations, foundations, and individuals located in the Wilmington, North Carolina area and from organizations in the state of North Carolina. As such, the Club's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of North Carolina. An economic downturn could cause a decrease in support and revenue that coincides with an increase in demand for the Club's services.